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***Practical Economics: Personal Finance***

**Economics, Unit #3**

Chapters 3-6

CCCS Reading Standards 12.2, 12.3, 12.4, CCCS Writing Standards 12.6, 12.7, 12.9, 12.10

State Standards n/a

**Overview:** This unit covers personal finance topics including credit and debt, saving and investing, and various types of loans. Students will learn strategies for developing good credit and how to approach various types of debt that they will likely incur in life. We will examine the process for purchasing a car and a home and will compare various types of loans that could be used to finance these large purchases.

1. **Essential Question(s)**: By the end of the unit, students should be able to expertly answer the following question(s):
   1. Explain what “good credit” is. How does a person develop good credit and what are some of the benefits of having good credit? What are some of the consequences of having bad credit?
   2. Explain the “risk v. return” trade-off for investing. Give some examples of high and low risk investments and discuss pros and cons of each. At what point in your life might you prefer higher risk or lower risk investments?
   3. Create three realistic and achievable personal finance goals for yourself that you could aim for in the next ten years. List your goals and explain how you plan on reaching them.
2. **Key Terms**: In order to fully understand and connect the current topic of inquiry with previous and future topics in economics and the social sciences, it is necessary to have a working knowledge of the following key terms. Divide paper into six squares. Label each square with the idea/term at the bottom. On one side, define the term. On the other side use a picture, headline from a newspaper, or current event topic to demonstrate your knowledge of the term and its’ application to our society.

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| 1. disposable income  2. discretionary income  3. credit rating  4. secured/unsecured loan  5. usury law  6. bankruptcy  7. principal  8. interest | 9. annual percentage rate (APR)  10. installment debt  11. amortization  12. closing costs  13. points  14. lease  15. security deposit  16. depreciation | 17. time deposits  18. maturity  19. capital gain/loss  20. mutual funds  21. pension plans  22. diversification |

1. **People/Case Studies:** People make economic choices every day, some of these choices seem irrelevant and others change our lives and how we live them. The following people and/or groups have made economic choices that are worth considering as an example of what we are learning in class. Use pictures and key words to illustrate each of the people below. Divide your paper into four squares. Two squares are for illustrations and key words and the other two squares are for important facts about the person and their contribution to society and economics.

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| 1. Bill Gates (#1)  2. Jeff Bezos (#2)  3. Warren Buffet (#3)  4. Mark Zuckerburg (#4) | 5. Jeff Skilling (Enron)  6. Bernard “Bernie” Madoff  7. Michael Milken  8. Martha Stewart | 9. Securities and Exchange Commission  10. Consumer Financial Protection Bureau  11. Experian/Equifax/TransUnion  12. Federal Trade Commission |

1. **Ideas, Skills, and Concepts:** Economics requires the understanding of certain ideas and concepts but also the application of certain skills to solve real world problems and make sound economic choices. The following topics are essential to the study of economics and the ability to use it in your daily life.

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| 1. credit and debt  2. loans | 3. saving and investing  4. risk v. return |  |

1. **Graphic Organizers:** (skills worksheets, charts, graphs, organizers, etc.) – Graphic organizers serve as a way to practice and review economic skills and concepts, creating not only a deeper understanding of the topics being addressed but also allows for mastery of skills and concepts prior to formal assessment.

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| 1. “The Story of Consumer Credit”  2. “30 Days on Minimum Wage”  3. “Broke” | 4. Mortgage Madness  5. “A Penny Saved” |  |

1. **Articles/ Current Events**: Articles and/or current events will be provided by the teacher or assigned for individual research on topics that are relevant to the current unit of study in order to emphasize the link to the “real world.” Complete the following assignment for each article or current event. 1) Write a paragraph summarizing the main ideas in the article, 2) write a paragraph explaining how these ideas or concepts relate to everyday life (give an example of a practical application in the real world), and 3) write a paragraph explaining your personal opinion.

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| 1. Why Generation Y is Broke  2. Perfect Credit  3. What Bad Credit Really Costs You |  |  |

1. **Class Notes:** Use Cornell notes to record class lectures.
2. **Key Unit Questions:** Use key terms as well as personal opinion to answer the following questions with thoughtful, complete sentences. Quality responses will be several sentences or a small paragraph. You do not need to re-write the questions.
   1. What types of products are purchased with discretionary income? Give some examples of products that you or your family have made recently with your discretionary income.
   2. List three different methods of payment you might use for a particular purchase. What are the costs involved and the benefits of each choice?
   3. What is bankruptcy and how does it work? What pros and cons should you consider before taking this action?
   4. List and explain 3 advantages and 3 disadvantages of owning vs. renting a home.
   5. Describe three ways that you can invest your money for retirement. What are the pros and cons of each.
3. **Miscellaneous**: Anything else used in support of this unit but not specifically listed on the unit sheet.
4. **Capstone Activity:** Each unit will contain at least one assignment that will be saved as part of a culminating semester long final project. This unit students will create a realistic budget for income and costs next year based on the assumption that they are economically independent and must provide everything for themselves. Students will be employed and earn typical wages that they will use to shop for their needs and wants and create a monthly budget. They will list their income and expenses and explain how they obtained those numbers and will also create a chart/table and a graph illustrating their income and expenses. Students will answer analysis questions as well as the Essential Questions from the Unit Sheet.

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| **COMMON CORE LITERACY STANDARDS** |

**Reading:**

12.2 Determine central ideas or information or a primary or secondary source; provide an accurate summary that makes clear the relationships among the key details and ideas.

12.3 Evaluate various explanations for actions or events and determine which explanation best accords with textual evidence, acknowledging where the text leaves matters uncertain.

12.4 Determine the meaning of words and phrases as they are used in a text, including analyzing how an author uses and refines the meaning of a key term over the course of a text.

**Writing:**

12.6 Use technology, including the internet, to produce, publish, and update individual or shared writing products in response to ongoing feedback, including new arguments or information.

12.7 Conduct short as well as more sustained research projects to answer a question or solve a problem; narrow or broaden the inquiry when appropriate; synthesize multiple sources on the subject, demonstrating understanding of the subject under investigation.

12.9 Draw evidence from informational texts to support analysis, reflection, and research.

12.10 Write routinely over extended time frames and shorter time frames for a range of discipline specific tasks, purposes, and audiences.

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| **CALIFORNIA STATE CONTENT STANDARDS** |

**12.??? California has no state standards for personal finance or practical economics.**