



ELECTIVE

STUDENT BOOK

► **Family and Consumer Science**

Unit 6

FAMILY AND CONSUMER SCIENCE

MONEY MANAGEMENT

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LIFEPAC Test is located at the back of the booklet. Please remove before starting the unit.

Money Management

Introduction

Caring for a home and family requires personal finance management. You'll need to learn how to pay monthly bills and expenses from the income you earn each month, while also depositing money into an emergency savings account each month. You'll soon be an independent adult, responsible for your own finances. Learning about the common expenses involved in living as an independent adult, understanding how to develop and stick to a budget, and knowing how to save for the future will prepare you to responsibly handle your money, build good credit, and stay out of debt. In this unit, you will learn about the types of expenses you'll encounter, how to develop a budget plan, and how to reduce expenses so you'll be able to follow your budget and manage your money well.

Objectives

Read these objectives. The objectives tell you what you will be able to do when you have successfully completed this LIFEPAK®. When you have finished this LIFEPAK, you should be able to:

1. Understand the factors that should be considered before renting or buying a home.
2. Identify up-front costs involved in renting and buying a home.
3. Recognize the range of credit scores and their impact on finances.
4. Understand the continuous costs of renting or owning a home.
5. Understand the common bills and expenses paid for by adults.
6. Recognize the common expenses that arise as a family grows.
7. Understand the definition of a budget.
8. Identify the elements of budget.
9. Understand common income deductions.
10. Recognize the value of monitoring and adjusting a budget.
11. Identify different potential categories of expenses.
12. Apply the 50/30/20 rule to a budget plan.
13. Identify different tools for budgeting.
14. Identify strategies for smart shopping to reduce spending.
15. Understand the cause-and-effect relationship between home maintenance and reducing expenses.
16. Recognize the steps to follow when reading a warranty.
17. Recognize guidelines that can be used to decide whether to purchase a warranty.
18. Understand the importance of establishing an emergency savings fund.

1. LIVING EXPENSES

As you grow older and become an independent adult, you'll be faced with a variety of bills and daily living expenses. At this point in your life, you likely have very few expenses and very little exposure to the types of bills your parents pay each month to maintain a home and care for children. In this section, you will learn about how to know when you are financially ready to rent or buy a home and the types of monthly bills and expenses you'll need to be able to pay for each month. Over time, as you start your career, marry, and have children, those expenses will grow and become more complicated to manage. Luckily, young adults start off with fewer expenses and you'll have time to develop a good money management system before your responsibilities grow. We will also look at some of the expenses to expect for a growing family.

Section Objectives

Review these objectives. When you have completed this section, you should be able to:

1. Understand the factors that should be considered before renting or buying a home.
2. Identify up-front costs involved in renting and buying a home.
3. Recognize the range of credit scores and their impact on finances.
4. Understand the continuous costs of renting or owning a home.
5. Understand the common bills and expenses paid for by adults.
6. Recognize the common expenses that arise as a family grows.

Vocabulary

Study these words to enhance your learning success in this section.

closing costs

credit report

credit score

debt-to-income ratio

down payment

health insurance

lease

premium

security deposit

work order

Note: All vocabulary words in this unit appear in **boldface** print the first time they are used. If you are unsure of the meaning when you are reading, study the definitions given.

Apartment A - Monthly rent \$1,600	Apartment B - Monthly rent \$1,800
Application fee: \$50	Application fee: \$50
Hold deposit: \$200	Hold deposit: \$300
Security deposit: \$1,200	Security deposit: \$1,500
Additional fees: \$150	First month's rent deposit: \$1,800
Total move-in fee: \$1,600	Additional fees: \$100
	Total move-in fee: \$3,750

Circle the letter of the correct answer.

- 1.1 A(n) _____ is usually required by property managers in case a tenant damages the property.
- a. security deposit b. application fee
c. hold deposit d. credit application
- 1.2 A hallmark of traditional style when it comes to accessories is _____.
- a. security deposit b. application fee
c. hold deposit d. credit application
- 1.3 The recommended maximum percentage of your monthly pay that should go toward rent is _____.
- a. 20% b. 30% c. 40% d. 50%

Monthly utilities. Utilities include electricity, gas, water, trash, and other resources needed for daily living. You may also include internet and cell phones in this category of expenses. Some utilities charge a connection fee to transfer the service into your name or to set it up. This fee will vary depending on your location, and in some instances, your credit score. Take the time to research these costs in your area.

Credit score. You may have already noticed credit scores mentioned a few times in the preceding text. Property managers and many other types of companies will review your **credit score** to decide whether you are creditworthy, or someone they consider responsible enough to make the required payments. As you begin taking out loans, such as a car loan, or maintaining credit cards, you will begin building a **credit report**. A credit report is prepared by a credit bureau and shows details of an individual's credit history to be used by a lender to determine whether an individual is creditworthy.

Your credit report will be prepared by the credit bureaus and will include a credit score, also called



Continuous rental costs. Once you've determined you have enough money to cover all the up-front move-in costs, you'll need to consider the monthly costs related to your renting that you would pay each month. These costs include:

- rent
- other fees, such as parking, storage, or pet fees
- utilities
- renter's insurance to protect against the loss of possessions in case of fire, water damage, or burglary

One further item to consider is rent increases. Just like the cost of everything else, your rent can rise, too. However, the property manager is not allowed to raise the rent during the term of your **lease**. A lease is a legal contract that details all aspects of the agreement to rent the property. For example, if you sign a lease to rent a property for one year, your rent payment will be the same for that year. At the end of your lease, however, your rent may go up.

Make sure you read the small print in a lease. It may take some time and effort to read a lease, but you need to protect yourself by knowing the property rules and rental agreement details for living in the new home and the rules for leaving it. For example, a lease may state that you are not allowed to have any pets, or that you need to give one month's notice before moving out. As mentioned previously, this will also state the rules for breaking a lease. This is information you need to know before agreeing to and signing the lease. It's appropriate to negotiate with the property manager and change the lease if you don't agree. If there's something that you don't understand, ask the property manager to explain it.



the properties may be larger and homeowners pay for all utilities. In some rental properties, only certain utilities like electricity, water, and gas may be required, and other utilities are included in the monthly rent.

Whether you plan to rent or buy a home, taking into account all up-front costs and monthly expenses before you take the leap is a really important task. Now that we've looked at the big picture costs, let's dive into the daily living expenses.

Write *T* for True or *F* for False.

- 1.21 _____ The debt-to-income ratio is calculated by dividing your total debt payments by your total income.
- 1.22 _____ Closing costs are paid as one lump sum at the time you sign your papers for your home loan.
- 1.23 _____ A home warranty is a mandatory requirement for obtaining a home loan.
- 1.24 _____ Property taxes can usually be paid separately or included in the mortgage payment.
- 1.25 _____ PMI costs are solely based on the value of the home.

EXPENSES TO EXPECT STARTING OUT

There are many expenses associated with being an independent adult. Depending on the area you live in, those expenses can vary. Groceries, gas for your car, rent, and more tend to be more expensive in bigger cities compared to more rural areas. Many of the variations in cost are due to supply and demand. If supply is limited and demand is high, retailers will often raise the prices of goods. Wherever you live, there are some common expenses you'll need to plan for as an adult. Since you'll be at the start of your independent living journey, let's first focus on typical expenses for a young adult.

Personal living expenses. These are the items you'll need to purchase regularly or make monthly payments on for daily living. While not all of these items may apply to you right away, they may at some point.



Clothing



Food/groceries



Toiletries and other essential items



Pet food and veterinary care



Health insurance

Many rental properties have a maintenance team that can be called for home repairs. For example, if your garbage disposal stops working, you can call or go online and submit a **work order** and maintenance will fix it for you. However, basic tools will still be needed to hang pictures, put together furniture, and make small repairs like filling holes in walls or fixing a squeaky door hinge. These tools may be something you purchase up front or compile over time. And if they're good quality, you won't need to replace most of them as time passes.

Lastly, you also learned about care and maintenance for your automobile in Unit 4. You may have a car payment and car insurance to pay for each month, and you'll need basic tools and supplies to keep your car clean and to perform regular maintenance. Car cleaning supplies may include:

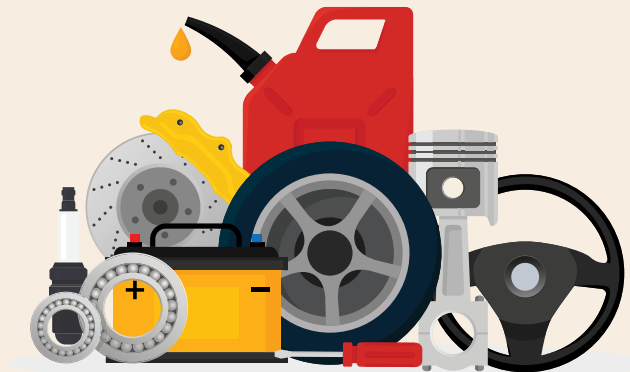
- trash bags
- reusable bag
- handheld vacuum or vacuum with upholstery attachment
- glass cleaner
- all-purpose cleaner
- microfiber cloths
- cleaning brush
- dish soap
- disinfectant wipes
- bucket
- rags

You'll likely have many of these items on hand already, as most are regular cleaning supplies. There are additional auto cleaning supplies that you may want to purchase, such as vinyl/leather cleaner, tire cleaner, silicone spray, tar removing cleanser, automobile polish, and stain remover. The items you need will depend on your automobile.

For maintenance, you may perform many of the tasks yourself, such as changing your oil, fixing a broken taillight, changing windshield wipers, or swapping out a battery. If so, there are some tools you'll need to have on hand in addition to the home maintenance tools you may already have. You may want to purchase some safety items as well.

AUTOMOBILE TOOLS

- an oil pan
- rags
- work lights
- jumper cables
- a jack stand
- safety goggles



You may choose to take your car to an auto shop for regular maintenance or repairs, but having some basic tools on hand will be helpful.

If you used these categories, you may list several expenses under some categories. For example, under “auto,” you might list your car payment, gas, maintenance costs, and car insurance. Or you may want to include all insurance (e.g., auto, renter’s, health, etc.) under one “insurance” category. You may also want several “savings” categories if you are saving for specific items, such as a car, college, or trip. You’ll want to find a system that meets your individual needs, and over time, you may need to adjust it as your circumstances change.

You can also organize your budget simply by following the 50/30/20 rule with categories for needs, wants, and savings. An example might be:

50/30/20 Budget Plan

Needs		Wants		Savings	
Rent	\$	Clothing	\$	Emergency fund	\$
Renter's insurance	\$	Dining out	\$	Savings account	\$
Car payment	\$	Movies, concerts, etc.	\$	401(k) contributions	\$
Gas	\$	Gym membership	\$	Retirement account	\$
Auto insurance	\$	Travel expenses	\$		
Health insurance	\$	Video streaming subscriptions	\$		
Electric bill	\$	Home decor items	\$		
Gas bill	\$				
Water bill	\$				
Phone bill	\$				
Internet	\$				
Groceries & other essentials	\$				

Circle the correct answer (each answer, 3 points).

- 2.021** The primary purpose of creating a budget is to _____.
 a. restrict spending b. accumulate debt
 c. track income and expenses d. avoid savings goals
- 2.022** When estimating net pay for budgeting purposes, why is it important to use the net pay instead of the gross pay?
 a. Gross pay is higher than net pay.
 b. Gross pay includes taxes.
 c. Net pay includes bonuses.
 d. Net pay reflects the actual amount received.
- 2.023** Income taxes are due on _____.
 a. January 15 b. February 28 c. April 15 d. May 31
- 2.024** Which step of budgeting involves comparing actual expenses to predicted expenses?
 a. List sources of income. b. List expenses.
 c. Monitor progress. d. Make adjustments.
- 2.025** According to the 50/30/20 rule, _____ of your net income should be allocated to “needs” expenses.
 a. 10% b. 30% c. 50% d. 20%
- 2.026** What advantage do budgeting software programs have over spreadsheets?
 a. They require manual formula entry
 b. They are free for students.
 c. They automate calculations without formula entry.
 d. They cannot import account information.
- 2.027** What is the purpose of making adjustments in budgeting?
 a. To increase expenses. b. To decrease income.
 c. To change spending habits. d. To meet savings goals.
- 2.028** The primary function of a spreadsheet in budgeting is _____.
 a. tracking bank transactions
 b. calculating mortgage rates
 c. generating graphs and reports
 d. making calculations and organizing data



Maintaining your physical and mental health. In Unit 1, you also learned about physical and mental health and the factors that can impact them. Taking preventative care steps to ensure your own health will also save you money. You need to stay healthy, both physically and mentally, to be able to work and earn your income and to complete all the tasks associated with maintaining a home.

Age, diet, exercise, environments, genetics, stress, and relationships are some of the main factors that can influence your health. It's important to prioritize eating nutritious meals, getting enough exercise, sleeping well, reducing your stress, and engaging in healthy relationships.

Eating well. The human body needs a combination of protein, carbohydrates, fiber, fats, and other nutrients to function properly. When you reach adulthood and live independently, you'll be making your own choices about the foods you eat every day. You'll be doing the grocery shopping and preparing those foods. While fast food or frozen foods offer quick, easy solutions, eating pre-prepared food daily can negatively impact your health, not to mention your budget. If you take time to plan your meals and stock your kitchen with healthy, nutritious food, you'll be able to consistently eat healthy foods that will help you maintain your health and give you energy to complete the tasks you need to do each day.

Exercising. Your body is like a machine. It needs fuel to perform and if it sits idle for too long, it will stop performing well. Like a machine, your body is susceptible to breakdown if you don't take care of it. In addition to nutrition, exercise is an important part of maintaining your health. Exercise can have beneficial effects on not only your physical health but also your mental health as well. When you exercise regularly, you'll be able to perform daily tasks with an increased amount of energy and enthusiasm. It will also help you to deal with stress and be more alert.

Healthy relationships. The nature of your interactions with others, whether they are family, friends, romantic partners, or other people you encounter throughout the day, impacts your overall health as well. A person's social health can be directly affected by their physical and emotional health. Your ability to get along with and communicate with other people grows out of a healthy emotional state and a healthy physical condition. Remember the listening and communicating skills discussed in Unit 1? Taking the time to listen to someone shows care and respect. And engaging in healthy communications with others, considering your words, tone, and body language, will inspire healthy relationships with those who matter to you.

You've already learned about the importance of having health insurance. Be sure to visit the doctor if you have concerns about your health and attend annual physicals. And remember that most insurance plans also cover visits to mental health professionals as well. Staying physically and mentally healthy will keep you energized and able to tackle your daily responsibilities.

EMERGENCY SAVINGS

No matter how careful you are or how many precautions you take with your health and your finances, there are always going to be emergencies. You may need to buy new tires for your car, experience a medical emergency, require a veterinary visit for a pet, or any other number of emergencies. Without an emergency saving plan, these unexpected expenses can cause you to become financially overextended. A small emergency might make you unable to pay one bill one month, but a larger emergency can have lasting consequences for your finances.

Setting up an emergency savings fund, separate from other savings accounts, should be an important part of your budget. Most banks have options for additional savings accounts. You can usually access savings account funds through an ATM with a debit card or use online banking to transfer money from a savings account to a checking account should the need arise. Emergencies happen. Having emergency savings will help you cover these unexpected costs.

Most experts agree an emergency fund should have money equaling three to six months' worth of necessary expenses. This may seem like a lot of money initially, but including this goal in your budget, devoting a certain percentage of your salary or a set amount from each paycheck by setting up an automatic transfer of money from your checking account to the emergency account can help you achieve this goal. You can also plan to deposit extra income you may receive such as birthday money or a work bonus. When an emergency happens, you'll be glad you have this safety net in place.

Write T for True or F for False.

- 3.26** _____ Prioritizing physical and mental health is crucial for maintaining productivity in work and household tasks.
- 3.27** _____ Age, diet, exercise, environment, genetics, stress, and relationships are all factors influencing health.
- 3.28** _____ Eating pre-prepared food daily can positively impact both your health and budget.
- 3.29** _____ Healthy relationships have no impact on a person's overall health.
- 3.30** _____ Visiting a doctor is unnecessary if you have health insurance.
- 3.31** _____ Most experts recommend having an emergency fund equivalent to three to six months' worth of necessary expenses.
- 3.32** _____ Emergency savings are unnecessary if you are careful with your health and finances.

Complete the following activities.

- 3.33** Write a 2-3 sentence response explaining why spending some time and money up-front to maintain your home and automobile will save you more money over time.

FAMILY AND CONSUMER SCIENCE

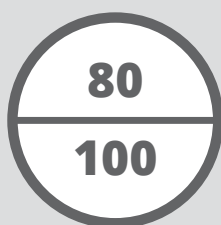
Unit 6

LIFEPAC TEST

Name _____

Date _____

Score _____



Complete the activities (each answer, 8 points).

3.026 Write a 2-3 sentence response explaining why spending some time and money up-front to maintain your home and automobile will save you more money over time.

3.027 Write a 2-3 sentence response explaining why it's important to have an emergency savings fund.



SCORE _____



CHECK _____

Teacher

Date



Before taking the LIFEPAK Test, you may want to do one or more of these self checks.

- 1. _____ Read the objectives. Determine if you can do them.
- 2. _____ Restudy the material related to any objectives that you cannot do.
- 3. _____ Use the **SQ3R** study procedure to review the material.
- 4. _____ Review activities, Self Tests, and LIFEPAK vocabulary words.
- 5. _____ Restudy areas of weakness indicated by the last Self Test.

