FINANCIAL FOOTBALL

MODULE 1 // SAVE MONEY. START NOW.

WORLD CLASS: AGES 18+

MODULE 1 // FINANCIAL FOOTBALL PROGRAM

Financial Football is an educational video game designed to help students learn more about the fundamentals of personal finance.

It was developed with the philosophy that games can be powerful teaching tools. Financial Football engages students in a fun, familiar activity, while educating them on topics essential to developing successful life skills.

Financial Football features questions of varying difficulty throughout the game. Like football, successful financial management requires strategy, finesse and endurance.

The following curriculum is intended as a precursor to the game. Before you play Financial Football, we recommend reviewing and completing the four educational modules with your students to help them get a jump on the financial concepts the game covers.

MODULE 1 // SAVE MONEY. START NOW.

Overview: In this lesson, students will learn the importance of saving for an emergency and for other long-term goals. They will discover strategies for saving and responsible spending and become familiar with the types of saving accounts available.

Age level: 18+ years old

Time Allotment: 60 minutes

Subject: Economics, Math, Finance, Consumer Sciences, Life Skills

Learning Objectives:

- Discover why it is critical to learn personal finance skills and manage money wisely
- Learn how saving money makes money
- Understand the importance of creating an emergency fund
- Become familiar with the types of savings accounts available
- Learn about basic investment options and strategies

Materials: Facilitators may print and photocopy as handouts the quiz and written exercises at the back of this document. Students may use an online dictionary or search the Web for commonly used financial terms.

Answer keys for all practice exercises are found on the last pages of this document.

MODULE 1 // INSTRUCTION GUIDE

A “save” in football is often the most dramatic moment of the game, when the goalie blocks a shot in the final seconds and the crowd goes wild. Equally important as these fleeting heroic game day feats is the everyday training players perform. The most successful players on the field are often the most disciplined, who started out establishing good training habits and stayed with them. Financial fitness is no different. One of the most important habits you can learn is how to exercise responsible spending habits and to save money. Saving money may not sound as exciting as saving a goal in the final seconds and winning a game, but it’s a skill that will help students win in the game of life.

Open your discussion by asking students if any of them save money and, if so, for what. How long do they think it will take them to reach their goal? Reinforce how saving money can make an important difference in their lives, allowing them to purchase a home, attend college, or to be prepared in the event of an emergency. Continue the discussion by introducing different ways to save, and by explaining how savings works.

SAVINGS KEY TERMS AND CONCEPTS

*(**Bolded** words indicate important vocabulary terms. Consider having students define these words as an additional written exercise.)*

Why should I save money?

Saving money is one of the most important skills you can learn as you grow up. It will allow you to:

- Meet specific short-term goals (e.g., buying new electronic equipment)
- Be ready for unexpected expenses (e.g., car repair costs or unexpected medical bills)
- Plan for future goals (e.g., saving for college or a home)

Ask students to brainstorm other examples of specific short-term and long-term goals, as well as unexpected expenses.

How much to save

Your students may already be saving money, at least on a small scale, whether at home or in a savings account. Ask them what percentage of their money they think they are saving. Here are some savings guidelines to consider:

- Experts suggest saving at least 10% of all income.
- Save for emergencies. Adults living on their own should have six months’ of living expenses saved in an emergency fund.
- Having an emergency fund provides a sense of security and prepares you for unexpected events like an illness, layoff or car repair.

Ways to save

The first rule of saving: **Pay yourself first.** In other words, instead of buying things and then seeing if there’s any money left over to save, put aside money BEFORE you use it. Otherwise, you may never get around to saving.

Spend wisely. An easy way to start saving money is simply to look more closely at what you spend and change any behavior that is preventing you from saving more. When you do make purchases, some

common strategies—like comparing prices and considering whether the happiness an item will bring is worth the cost—can help you ensure you're spending wisely. Consider a few other easy ways to save:

- Spend the afternoon in a park (free) instead of buying a snack at a convenience store (RM8 to RM10)
- Skip the movie theatre (RM20, with popcorn and soft drinks) and borrow or download a movie instead (free)

List on the board some of the activities your students spent money on this week and consider some less expensive activities. How much could your class have saved collectively this week?

Where to put the money you save

Explain to students that part of creating a good savings plan; whether for an emergency fund or long-term goals, is assessing where your money is best kept for maximizing savings. Coin jars are fine for loose change, but if you're serious about saving, you should probably consider a **savings account.** This is a place to keep your money safe, and you can open one at most banks or credit unions.

Now that you know where to open an account, let's take a closer look at how savings works. First, here are some key terms:

In a savings account, **principal** refers to the amount of money you deposit in your account to begin saving.

A **withdrawal** is when you take money out of your account.

A **deposit** is when you add money to your account.

The main difference between saving money in a jar at home and putting it in a savings account at a bank or credit union is how your principal (your money) grows. At home, your money grows only when you add (deposit) more money (principal) to the jar. In a savings account, your money grows not only when you deposit more money but also by accumulating **interest.** Interest is money the bank pays you for leaving it in your savings account. It's as if you are loaning the bank your money. You give them your money to hold and they pay you interest so your money grows. This gain in the amount of money your investment is worth is called the **rate of return.** They are able to use your money to fund loans and investments to other people.

The **interest rate** is the percentage amount of your principal that the bank agrees to pay into your account. An interest rate is often referred to as an **APR**, or Annual Percentage Rate.

How simple interest is calculated

principal x interest rate x time = interest earned

Example: You open a savings account with RM1,000 at a 5% simple APR. What will you earn in interest in the first year?

RM1,000 x .05 x 1 = RM50 interest earned every year

Compound interest is what makes savings really grow. When your interest compounds, it gets added back to your account and becomes part of your principal. With more principal, the account earns even more interest, which continually compounds into new principal. It's a powerful cycle that really adds up.

MODULE 1 // INSTRUCTION GUIDE (continued)

In the simple interest example above, RM1,000 at a 5% simple APR, earns RM50 in interest every year. However, if that interest compounds once a year, the RM50 interest you earn in year one would be added to the principal at the beginning of year two. By doing this, you earn more interest in year two (RM52.50) and even more in every subsequent year.

RM1,000 x .05 x 1 = RM50 interest earned in year one

RM1,050 x .05 x 1 = RM52.50 interest earned in year two

The Rule of 72

Want to know how fast your money will double? The Rule of 72 is a fast way to estimate how long it will take you to double your savings with compound interest. How it is calculated:

72 divided by the interest rate = the number of years needed to double your money

Therefore, if you have a 10% interest rate and want to know how long it will take to double your money, the equation would be:

72 divided by 10 = 7.2 years

Types of savings and how to choose one

In the process of evaluating where to keep your savings, you will need to research banks and credit unions, comparing the services they offer and the types of fees they charge. You will also need to decide which type of savings vehicle would be ideal for you.

There are several types of savings vehicles available, including: traditional savings accounts; Certificates of Deposit (CDs); and Individual Retirement Accounts (IRAs). Choosing the right one involves just a few steps.

1. Determine what you will be saving the money for.
2. Decide how much access you want to your money. This is called liquidity.
3. Identify how much money you have to deposit.
4. Find the account with the best **interest rate** and lowest fees.

High liquidity means your money can flow freely, like liquid. For example, if you want to be able to withdraw money at an ATM at a moment's notice, you need an account that's very liquid.

Typically, a traditional **savings account** or **checking account** offers the highest liquidity. Of the two, a savings account will usually offer a better interest rate than a checking account.

If you don't need to write checks or make ATM withdrawals and you can leave your deposit amount untouched for a longer amount of time, you may want to consider a **CD**, or **Certificate of Deposit.** The longer you agree to leave your money, the better the interest rate. However, if you have to withdraw money before the agreed time is up, you will likely pay a significant penalty fee for doing so.

MODULE 1 // INSTRUCTION GUIDE (continued)

The line below offers a general guideline to the trade-offs of different savings products.

More liquid Less money to save Lower interest rate	Less liquid More money to save Higher interest rate

Checking account **Savings account** **Certificate of Deposit (CD)**

Which investment Is right for me?

Depending on the investment choices that students make, the end result can vary dramatically. By making wise investment choices and starting at a young age, you can maximize long-term savings and increase wealth over time. When researching investment options, three of the primary investment options to consider are bonds, mutual funds and stocks.

Bonds are a type of investment where you basically loan money to the government or a corporation for a set interest rate and **maturity date**, or date when the investment return will be payable to you. Bonds are lower risk than many investment options, although the risk varies depending on the issuer and other factors. Bonds tend to provide greater stability than stocks and a higher interest rate than savings accounts.

Stocks are when you buy partial ownership of a company in units called **shares.** Because the stock market goes up and down regularly, stocks are generally seen as a riskier investment than bonds or mutual funds, but also offer the potential for higher returns. It is important to remember that, when you invest in the stock market, there is no guarantee you will make money, and there is always the risk that you will lose the money you invested as well.

Mutual funds are another type of investment. They pool funds collected from many investors for the purpose of investing in stocks, bonds and other assets. Although mutual funds allow you to determine a specific level of risk based on the type of fund you choose, your return isn't guaranteed. In addition, mutual funds can be subject to management fees.

MODULE 1 // DISCUSSION

We've talked about a few of the most common types of savings products. Which one is best for you will depend upon various factors: what you are saving for, how comfortable you are with risk, and how liquid you need your savings to be. Consider which type of savings account may be best:

1. If your pet has a medical condition and you think you may have some surprise vet bills in the next year.

[best answer: savings account; NOT a CD]

2. How important is the liquidity of your funds in this example?

[best answer: Important. Funds need to be accessible without penalty.]

3. If you want to buy a plane ticket to celebrate your grandparents' 50th wedding anniversary in Langkawi in five years time?

[best answer: best rate is likely with a long-term CD]

4. If you want to buy a new bicycle sometime in the next six months.

[best answer: savings account]

5. If you want to have some extra money for occasional shopping during sales.

[best answer: a savings account is probably the best option, as funds are easily available]

MODULE 1 // QUIZ

Answer the following questions:

1. True or false: Principal is the amount of money with which you open a savings account.

2. True or false: Liquidity refers to how accessible your money is to you.

3. Which typically earns more interest, a savings account or a CD?

4. True or false: A good rule of savings is “pay yourself last.”

5. What does APR stand for and what does it mean?

6. What is the rule called that helps you determine how long your money takes to double in amount?

7. List three common reasons people save money.

8. True or false: If you need constant access to your funds, a traditional savings account is a good savings option.

9. True or false: A certificate of deposit (CD) is a good savings option if you can leave money untouched for an extended period of time.

10. True or false: It is important to save 2 months of living expenses in your emergency fund.

11. Which tends to be a more risky investment option—stocks or bonds?

12. True or false: When you invest in the stock market, there is no guarantee you will make money beyond your investment, but you are guaranteed to receive back the amount you originally contributed.

MODULE 1 // WRITTEN EXERCISES

Compound Interest:
The following formula shows how to calculate compound interest annually.

Year 1:

RM___________	x ___________	= RM___________	+ RM___________	= RM___________
Principal	Interest rate (ex: 5% = .05)	Interest earned	Principal	New principal for following year

Year 2:

RM___________	x ___________	= RM___________	+ RM___________	= RM___________
Principal	Interest rate (ex: 5% = .05)	Interest earned	Principal	New principal for following year

Year 3:

RM___________	x ___________	= RM___________	+ RM___________	= RM___________
Principal	Interest rate (ex: 5% = .05)	Interest earned	Principal	New principal for following year

Based on the above formula for compound interest, how much total savings would you have:

If you put RM100 in a savings account with a 3% APR for 2 years?

If you put RM500 in a CD with a 5% APR for 3 years?

MODULE 1 // WRITTEN EXERCISES (continued)

The Rule of 72 The Rule of 72 provides an easy way to obtain a rough estimate of how quickly your money can grow based on a compounded fixed interest rate. Divide 72 by the interest rate you are earning and that will tell you the number of years it will take to double your money. You can also divide 72 by the number of years you want it to take to double your money to determine the interest rate you'll need to accomplish this.

Here are a few examples of the Rule of 72 in action:

At 5% interest, your money takes 72 ÷ 5 or 14.4 years to double.

To double your money in 10 years, you need an interest rate of 72 ÷ 10 or 7.2%.

Let's practice the Rule of 72:

	Rate of Return	# of Years
72 divided by	3%	
72 divided by	5%	
72 divided by		6
72 divided by		15

The Rule of 72 is a simplified formula and is intended to provide only an ***estimate***, since it loses its accuracy as the interest rate increases.

MODULE 1 // ANSWERS

Quiz Answers:

1. True 2. True 3. CD 4. False 5. Annual Percentage Rate, the interest rate on a given account. 6. Rule of 72 7. To plan for a specific goal, save for a long term future goal, or be prepared for the unexpected 8. True 9. True 10. False 11. Stocks 12. False

Compound Interest Answers:

If you put RM100 in a savings account with a 3% APR for 2 years?

RM100 x .03 = RM3 + RM100 = RM103
RM103 x .03 = RM3.09 + RM103 = **RM106.09**

If you put RM500 in a CD with a 5% APR for 3 years?

RM500 x .05 = RM25 + RM500 = RM525

RM525 x .05 = RM26.25 + RM525 = RM551.25

RM551.25 x .05 = RM27.56 + RM551.25 = **RM578.81**

Rule of 72 Answers:

	Rate of Return	# of Years
72 divided by	3%	**24**
72 divided by	5%	**14**
72 divided by	**12%**	6
72 divided by	**4.8%**	15

FINANCIAL FOOTBALL

MODULE 2 // BUDGETS TAKE BALANCE

WORLD CLASS: AGES 18+

MODULE 2 // FINANCIAL FOOTBALL PROGRAM

Financial Football is an educational video game designed to help students learn more about the fundamentals of personal finance.

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The following curriculum is intended as a precursor to the game. Before you play Financial Football, we recommend reviewing and completing the four educational modules with your students to help them get a jump on the financial concepts the game covers.

MODULE 2 // BUDGETS TAKE BALANCE

Overview: Effective personal money management requires a step-by-step plan for saving and spending. This plan is called a budget. In this lesson, students will gain a clear understanding of why budgeting is important, and learn how to create and maintain a budget. They will discover the difference between net and gross income, and learn how to interpret income and other factors on a paystub. In addition, students will look at the building blocks of financial decision-making and learn smart spending strategies.

Age level: 18+ years old

Time Allotment: 60 minutes

Subject: Economics, Math, Finance, Consumer Sciences, Life Skills

Learning Objectives:

- Learn about the key elements of financial responsibility
- Identify and examine current spending habits
- Identify the various expenses associated with living independently
- Determine the difference between a “need” and a “want”
- Understand the relationship between a budget and savings goals
- Identify financial goals
- Understand the role charitable giving can play in a budget

Materials: Facilitators may print and photocopy as handouts the quiz and written exercises at the back of this document. Students may use an online dictionary or search the Web for commonly used financial terms.

Answer keys for all practice exercises are found on the last pages of this document.

MODULE 2 // INSTRUCTION GUIDE

Balance is a skill that is absolutely critical to the game of football. Players must master precise interplay between their body (feet, legs, neck and head)–and the ball–which they manipulate to their advantage. Balance is just as essential to successfully managing your money. You need to develop and maintain a balance between where your money comes from and where your money goes. You can then compare these and see if they are in balance. If you are spending more money than you earn (through part-time jobs, allowance from your parents or gifts) your budget is out of balance and you will have difficulty saving money and reaching your financial goals.

A budget is a financial plan that calculates your income (the money you earn) and determines where that money is spent. It's an effective way to see if you are spending too much on certain items, or if you could be saving more money than you currently are. It is also an important tool for helping you achieve your financial goals.

Let's take a closer look at each of these pieces of a budget. *(Throughout this lesson,* **bolded** *words indicate important vocabulary terms. Consider having students define these words as an additional written exercise.)*

INCOME

Income is payment received for goods or services, including work, parental support and financial gifts. Income also includes money you earn on savings or investments (such as interest, dividends or sale of stock shares). When you have a job, you earn what is called **gross income.** This is the total amount of money you earn before taxes. Once taxes and other payroll deductions are taken out of your gross pay, you are left with what is called **net income.** This is the actual money you take home and the number you start with when building a budget.

EXPENSES

Expenses are the costs paid in exchange for goods or services. Some examples of expenses are rent, clothing, groceries and phone bills. Ask your students what they spend their money on and how much they spend each month. Ask them what patterns they see in their spending habits and behaviors. Why do they buy the things they buy? What influences their decisions?

NEEDS VERSUS WANTS

The most important factor in understanding a realistic budget is distinguishing between things you need and things you want. Your **needs** are all of the monthly expenses associated with essential goods and services that keep your life stable. **Wants** are goods and services that are not essential to daily living, but they are often things that make people happy or may make life seem a little easier or more special.

When you spend money on something you want versus something you need, this is called **discretionary spending**.

> **Examples of discretionary spending:** a soft drink and snacks at a convenience store, movie tickets, a vacation

Separate of needs and wants, another way to differentiate expenses is to determine whether they are **fixed**, meaning they are the same amount every month, or **variable**, meaning they fluctuate throughout the year.

> **Examples of fixed expenses:** rent, car payment, monthly public transportation pass
>
> **Examples of variable expenses:** utility bill, groceries, petrol, clothing

Wants and discretionary spending aren't necessarily bad things. In fact, a want can be an excellent motivator for saving money. However, too much discretionary spending can just as easily be the downfall that prevents monthly saving. By carefully and constantly monitoring discretionary spending habits, your opportunities to save become easier to recognize.

Use the discussion activity below to help students understand the differences between essential expenses (needs) and discretionary spending (wants).

FINDING THE BALANCE

To determine how balanced your budget is, you simply need to add up all your income and subtract all your expenses. The figure you arrive at is your net gain or loss.

If the net amount is positive, this is a good sign—it means you are living within your income level. It also means you can put even more money into savings or toward paying off debt.

If the net amount is negative, however, that means your monthly expenses exceed your monthly income; in other words, you're operating at a loss. You will need to find ways to trim the expense side of your budget or increase your income (or both); otherwise you'll accumulate more and more debt.

Consistency is key to successful budgeting. Just like football players must practice to keep their skills sharp and their bodies in shape, it's important not to let your budget get flabby. Reviewing it each month is the only way to ensure that you are managing your money wisely.

Paystubs and taxes

One factor that will affect your income and your budget is taxes. **Income taxes** are deducted from your gross income to pay for roads, parks, the military, education and other public services,while **SOCSO** payments fund employees' social security benefits. Each of these tax deductions will appear on your paystub.

At the end of the year, employers provide employees with **EA statements** that outline money earned and deductions incurred during that year. The EA statement is used to help calculate your annual tax return—you will either get a refund on your taxes or owe more depending on how much was deducted from your pay throughout the year.

MODULE 2 // ACTIVITIES

Budgeting: Where does your money come from and where does it go?
Directions: Answer the following questions in order to develop your own personal budget.

Income: Where does your money come from?
1. List your current source(s) of monthly income, including net income from work, investments, parental support or financial gifts. Include the source and the amount for each. Then add them up and enter the total beside "Total monthly income."

Income source	Amount per month
#1	**RM**
#2	**RM**
#3	**RM**
Total monthly income	**RM**

Expenses: where does your money go?
2. Below is a list of typical household expenses. Record the amounts you spend monthly next to each item. If you do not spend money on a particular item, leave it blank or write RM0. Then add them up and enter the total beside "Total monthly expenses."

Expenses	Amount per month
Housing	**RM**
Transportation	**RM**
Food and groceries	**RM**
Education	**RM**
Clothing	**RM**
Medical expenses	**RM**
Entertainment	**RM**
Phone & utilities	**RM**
Savings	**RM**
Insurance	**RM**
Credit or loan payments	**RM**
Other	**RM**
Other	**RM**
Total montlhy expenses	**RM**

MODULE 2 // ACTIVITIES (continued)

3. Subtract your total monthly expenses from your total monthly income. This is your “Total for saving.” Record it here.

Total For Saving	RM

4. If your “Total for saving” is RM0 or less, it’s time to rethink what you earn and spend. What changes could you make to reduce your spending or increase your income?

MODULE 2 // DISCUSSION

Ask students what role they think financial goal setting plays in budgeting. Possible responses are that goals can help a person identify financial priorities and provide motivation for them to set aside more for savings.

What role do students think charitable giving could play in budgeting? Mention that many people set aside a portion of their budgets for charitable contributions to organizations they believe in, and that charitable donations can provide tax benefits, too. Ask students whether they have heard of any particularly charities, and whether there are any charities that they think they may be interested in. Mention that there are numerous websites where you can research charities to ensure they are upstanding, and to find out more about what they do.

As a class, decide whether each of the following items is an example of an essential expense (need) or discretionary spending (want). In some cases, consider circumstances that may change discretionary spending into non-discretionary spending, or vice versa.

A magazine and a soft drink [want]

This month's rent [need]

Concert tickets [want]

Phone bill [could be need or want; discuss]

School textbooks and supplies [need]

Motorcycle insurance payment [need]

Monthly bus/LRT pass [need]

Electric bill [need]

Downloadable songs [want]

Frozen food at the grocery store [want]

A new pair of running shoes if your old ones don't fit [need]
(what if you already have five pairs of suitable running shoes?) [want]

Oil change for the car [need]

A new mobile phone [want]
(what if your old phone stopped working?) [need]

Regular deposits into your savings account [need]

MODULE 2 // QUIZ

Answer the following questions:

1. True or false: Non-discretionary spending can include either fixed or variable expenses.

2. Is a monthly bus or LRT pass an example of a fixed or variable expense?

3. True or false: The main purpose of a budget is to slow down spending.

4. Are groceries an example of a discretionary expense?

5. Experts recommend saving at least what percentage of your income?

6. True or false: A budget can usually help you spend less and save more.

7. True or false: By honestly evaluating your needs versus your wants, you can control excessive spending.

8. True or false: A fixed expense costs the same amount every month.

9. True or false: Discretionary spending is bad, and should be avoided.

10. True or false: If your monthly income is RM2,000, saving RM200 would be a smart goal to set.

11. True or false: Charitable giving can have tax benefits, in addition to the benefit of helping others.

MODULE 2 // WRITTEN EXERCISE

Scenario: Great news. You have just won the RM500 first prize in the “How to Be a Better Saver” essay contest, sponsored by a local bank. The big question now is “What will you do with the money?” Divide the money between needs (like helping with some of your family’s household expenses) and wants (maybe hosting a party with friends?) and don’t forget to set aside a smart amount to save.

List the things you will use the prize money for, whether it’s a need or a want, and the amount for each item. Make sure your budget totals RM500.

ITEMS PURCHASED/EXPENSE PAID	NEED OR WANT?	AMOUNT SPENT
____	_______________	RM______________
____	_______________	RM______________
____	_______________	RM______________
____	_______________	RM______________
____	_______________	RM______________
____	_______________	RM______________
____	_______________	RM______________
____	_______________	RM______________
____	_______________	RM______________
____	_______________	RM______________
____	_______________	RM______________
____	_______________	RM______________

GRAND TOTAL: RM______________

MODULE 2 // ANSWERS

Quiz Answers:

1. True 2. Fixed 3. False. This may be one of the results of a budget, but its main purpose is to have greater understanding and control over personal finances. 4. No 5. 10 percent 6. True 7. True 8. True 9. False. It should be carefully evaluated every month, but would be unrealistic to completely eliminate. Discretionary spending can be one of the rewards of being a good saver. 10. True 11. True

FINANCIAL FOOTBALL

MODULE 3 // AVOIDING FINANCIAL PITFALLS

WORLD CLASS: AGES 18+

MODULE 3 // FINANCIAL FOOTBALL PROGRAM

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MODULE 3 // AVOIDING FINANCIAL PITFALLS

Overview: In this lesson, students will gain an understanding of two of the biggest financial pitfalls that can impact their finances: falling into debt and having their identity stolen. They will learn how maintaining sound financial habits and taking certain security precautions can help guard against both types of risk. They will also learn the potential short and long-term impacts of identity theft and being in debt, as well as ways to remedy each situation in order to get back on the road to good money management.

Age level: 18+ years old

Time Allotment: 60 minutes

Subject: Economics, Math, Finance, Consumer Sciences, Life Skills

Learning Objectives:

- Discover habits that can increase or reduce your risk of falling into debt or having your identity stolen
- Understand how debt and identity theft can impact your credit and financial health
- Learn common terminology associated with debt and identity theft
- Explore ways of paying off debt and resolving instances of identity theft
- Learn about consumer rights around debt collection

Materials: Facilitators may print and photocopy as handouts the quiz and written exercises at the back of this document. Students may use an online dictionary or search the Web for commonly used financial terms.

Answer keys for all practice exercises are found on the last pages of this document.

MODULE 3 // INSTRUCTION GUIDE

In the game of football, players face certain risks on the field — the possibility of getting injured during a game, or of facing penalties for illegal plays. Yet simple actions like warming up before hitting the field and knowing the rules of the game can help minimize the possibility of either scenario. Likewise, certain actions and oversights can negatively impact your personal finances. For example, adopting bad habits like buying items on credit that you can't really afford and failing to create a budget can lead easily to accumulating unwanted debt. Similarly, not safeguarding your ATM PIN number or choosing easy-to-guess account passwords can make you more vulnerable to breached accounts and identity theft. Luckily, both of these pitfalls are easy to avoid.

Explain that **debt** is when you owe more money than you have or can afford to pay back. One way to get into debt is to make impulsive spending decisions without considering whether or not you can afford or really need something.

Open your discussion on debt by asking students what they think debt is and what causes it. How do people get into debt?

STAYING OUT OF DEBT

When borrowing money from a friend or relative to buy a luxury or a needed item, the thought of paying it back is often far from our minds. But being able to repay what you borrow within a reasonable amount of time is an important skill to have at college and beyond.

WHAT TO WATCH FOR

Although opening a credit account can be an important way to build credit history, it can also lead to unmanageable debt if handled carelessly. Unmanageable debt doesn't accumulate overnight. It's the result of a series of poor financial decisions and habits acquired over time. Here are a few positive behaviors you can adopt that will allow you to use credit to your benefit without racking up debt.

Avoid unnecessary purchases: Remember the difference between wants and needs. Before each purchase, ask yourself: 1. Is it something I truly need, or is it just a "want"? 2. Can I afford it? 3. How will I pay for it? 4. Are there any potentially negative consequences of buying this?

Know your budget: Developing and sticking to a budget helps you keep track of how much you have available to spend. If buying an item will throw your budget out of balance, you may have to cut back somewhere else or hold off on the purchase until you've saved enough to cover it. Once debts start to snowball, it's difficult to get back on track.

Live within your means: This means making sure your income is greater than your expenses. If you are living beyond your means and buying items on credit that you cannot afford to pay off immediately, it's time to cut back on your spending or boost your income.

EFFECTS OF DEBT

While good credit habits can help you build a positive credit history, poor credit habits can lead to unmanageable debt that can add negative information to your **credit report** and ultimately lower your **credit score.** Some potential effects of accumulating too much debt (for example, missing payments or exceeding credit limits) can include racking up late fees, having to pay higher interest rates on credit cards and auto loans, and even having difficulty getting an apartment or job.

ALLEVIATING DEBT

If debt begins to snowball, there are options for getting your finances back on track. First, you need to cut down on unnecessary spending. Write down every cent you spend each month and look for items that you can live without.

Then, it's important to identify how much you owe and to create a plan for paying it back. Many experts advise paying off your highest-interest debts first while continuing to make minimum payments on all accounts, and then tackling the next-highest interest account.

Debt counselors are professionals who help create a realistic budget and develop a plan for paying back money owed. Look for a reputable, nonprofit debt-counseling agency that provides free or low-cost services.

If someone gets so deep into debt that he or she is unable to get out of debt without help, they may consider filing for **bankruptcy** as a last resort. While bankruptcy can help eliminate or reduce money that is owed, it does terrible damage to your credit score and can remain on your credit history for up to 10 years, making it difficult to buy a house, open new credit card accounts or get a loan of any kind.

Debt collection rights

If you find yourself with unmanageable debt you aren't able to repay, it pays to understand your rights regarding the actions taken by debt collectors. Laws are in place to ensure debt collectors follow specific procedures and protocols when attempting to collect debts. For example, under the Fair Debt Collection Practices Act, debt collectors are required to limit debt collection calls to between the hours of 8:00 a.m. and 9:00 p.m., prohibited from contacting you at your place of employment, and prohibited from using abusive language, among other regulations.

IDENTITY THEFT

Just as credit handled unwisely can result in debt, sharing personal information in the wrong context or with the wrong person can make you more vulnerable to identity theft. Identity thieves use various methods to harvest personal information illegally and are constantly coming up with new ones. These can range from stealing information from your discarded paperwork in the trash, to looking over your shoulder at the ATM to steal your PIN, to accessing personal information from your Facebook account.

Some of the more common scams criminals use to gain access to personal information via your computer or smartphone include: **Phishing**, where someone posing as a trusted organization (like your bank) sends an email and tries to trick you into supplying or confirming personal or account information that can then be used to create fraudulent new accounts; and **Vishing**, which involves a live or automated caller attempting to get the same type of information from you by phone.

PROTECTING YOURSELF AGAINST IDENTITY THEFT

Although new scams pop up all the time, there are several methods for protecting yourself at your bank, at home or online.

- If your credit, debit or prepaid card is lost or stolen, report it immediately to the card issuer. Also report it to the police and use the police report to dispute any fraudulent charges with creditors.
- As a precaution, maintain a list of all your credit and debit card account numbers in a secure location, along with the phone numbers for each card issuer.

- When ordering items online, look for secure websites that have https:// in their web address and utilize Secure Socket Layer (SSL) encryption and certificates to keep your transactions safe from hackers.
- Guard your account numbers. Do not give out your account number to anyone who calls or emails you; share it only with those companies you contact yourself. The same goes for your Social Security number and other personal information.
- Shred any documents and receipts where your card number may appear.
- Never send your card number or other personal information through email, since this is typically not a secure electronic process.
- Protect your **PIN**, or Personal Identification Number associated with your debit or prepaid cards, by choosing a random number that you can remember but that's not related to personal information, like your birth date or address. ***Never write your PIN on the back of the card or keep it in your wallet.***
- Check your account statements monthly and your credit reports at least annually to ensure there aren't fraudulent charges.

HOW TO RESOLVE A CASE OF IDENTITY THEFT

Identity theft can have an incredibly negative impact on your finances. If you believe an account in your name could have been compromised or that your identity may have been stolen, it is important to act quickly to notify the appropriate organizations.

- **Step 1 – Notify account issuers.**

Notify the bank, credit union or other issuers of an account you think has been compromised and ask them to close that account and open a new one with a different account number. Also change any related passwords or PIN numbers.

- **Step 2 – Contact credit bureaus.**

Inform them of the account breach and ask that they place an **Initial Fraud Alert** on your credit file, which will make it harder for someone to open new accounts in your name or access existing accounts. Placing a fraud alert entitles you to one free credit report from each bureau. Carefully review them for any errors, fraudulent activity or credit inquiries from unfamiliar sources.

- **Step 3 – File a theft report.**

If you determine that someone has stolen from your account or you are otherwise a victim of identity theft, file a detailed **Identity Theft Report** with the police.

MODULE 3 // DISCUSSION

Credit: Identifying good and bad debt moves

Directions: Review the credit scenarios below and determine the positive and negative impacts each decision may have on the person's financial future.

Scenario 1

Ryan just moved into his first apartment and he wants to buy a flat screen TV for the living room. He works, but between college tuition, books and rent, his funds are running low. Ryan decides to take advantage of a financing offer from a local electronics store and buys the TV on a line of credit. **Is this a good or bad debt move? Why?**

Answer: *Ryan's desire for a new television is a want and, therefore, not a great purchase to make using credit, especially since his money is needed for other items such as rent, tuition and books. If Ryan is unable to repay the loan, his credit score could be damaged.*

Scenario 2

Blake just graduated college and accepted a new job as a graphic designer for a marketing firm. He wants to buy a RM100,000 condo near his new job and he has saved enough money for a 20% down payment. He is planning on taking out a loan, or a mortgage, for RM80,000 to purchase the property. **Is this a good or bad debt move? Why?**

Answer: *Blake has steady employment and a solid down payment, making the condo purchase a good investment for him. The home loan will give Blake the opportunity to continue building his credit history and "creditworthiness."*

Scenario 3

Nora has heard that opening a lot of credit card accounts is a good way to build credit. She currently has five credit cards, but is sometimes forgetful in paying her bills on time and usually has a balance on each card. Her favorite store is offering a RM50 coupon on her next purchase, with the promise of more coupons in the future, if she opens a credit card. She decides to open the store credit card to get the discounts. **Is this a good or bad debt move? Why?**

Answer: *Because Nora already has five credit cards and is sometimes late in paying her bills, opening another credit card could potentially damage her credit score if she continues to be late in payments.*

MODULE 3 // QUIZ

Answer the following questions:

1. True or false: Phishing and vishing are common forms of identity theft.

2. True or false: Sharing your bank account information and PIN number with a friend at school is not risky behavior.

3. What is one habit that can put you at increased risk of falling into debt?

4. List three things people can do to reduce their risk of falling victim to identity theft.

5. True or false: You do not need to have a credit card to fall victim to identity theft.

6. If your bank emails you and asks you to respond with private information, is it secure to do so?

7. True or false: Reviewing account statements is one way to help protect yourself against identity theft.

8. True or false: Charging a vacation you can't afford to pay off anytime soon to a credit card is an example of "bad debt."

9. True or false: The best PIN is one you won't forget, such as your address, birthday or your pet's name.

10. ___________ is what can happen if you use credit to spend beyond your means.

MODULE 3 // WRITTEN EXERCISE

Using your knowledge of the dangers of identity theft, write a realistic scenario in which you think one of your credit card accounts has been compromised. Plot out the steps you should take to contact the appropriate parties (such as the card issuer and credit bureaus), as well as actions you should take if you suspect your identity may have been stolen.

Scenario: ____

____

____

Step 1: Your account has been compromised. What should you do first to protect yourself and your finances?

____

Step 2: What should you do next to ensure your accounts aren't compromised?

____

Step 3: If you determine that someone has indeed stolen from your account or you are otherwise a victim of identity theft, what should you do next?

____

MODULE 3 // ANSWERS

Quiz Answers:

1. True 2. False 3. Any of the following: spending beyond your means, failing to create a budget, making minimum payments on credit cards, using credit unwisely 4. Check account statements or their credit report regularly, avoid giving out personal information, select their PINs carefully and protect them 5. True 6. No 7. True 8. True 9. False 10. Debt

Written Exercise Answers:

1. Contact your card issuer and ask to close that account and open a new one with a different account number; also change any related passwords or PINs.

2. Contact the credit bureau and place an Initial Fraud Alert on your credit file.

3. File a detailed Identity Theft Report with the police. Periodically check credit reports from the credit bureau and review them for errors, fraudulent charges, unfamiliar accounts, etc.

FINANCIAL FOOTBALL

MODULE 4 // HOW CREDITWORTHY ARE YOU?

WORLD CLASS: AGES 18+

MODULE 4 // FINANCIAL FOOTBALL PROGRAM

Financial Football is an educational video game designed to help students learn more about the fundamentals of personal finance.

It was developed with the philosophy that games can be powerful teaching tools. Financial Football engages students in a fun, familiar activity, while educating them on topics essential to developing successful life skills.

Financial Football features questions of varying difficulty throughout the game. Like football, successful financial management requires strategy, finesse and endurance.

The following curriculum is intended as a precursor to the game. Before you play Financial Football, we recommend reviewing and completing the four educational modules with your students to help them get a jump on the financial concepts the game covers.

MODULE 4 // HOW CREDITWORTHY ARE YOU?

Overview: In this lesson, students will gain an understanding of what credit is, how personal creditworthiness is built and maintained, and how credit is protected. The lesson also provides strategies for understanding credit history and how it can be improved in order to improve your financial outlook.

Age level: 18+ years old

Time Allotment: 60 minutes

Subject: Economics, Math, Finance, Consumer Sciences, Life Skills

Learning Objectives:

- Learn the meaning of creditworthiness
- Understand the three Cs of credit
- Determine when to use credit and when not to
- Understand the purpose of credit scores and credit reports
- Learn about the role of creditworthiness in getting an auto loan

Materials: Facilitators may print and photocopy as handouts the quiz and written exercises at the back of this document. Students may use an online dictionary or search the Web for commonly used financial terms.

Answer keys for all practice exercises are found on the last pages of this document.

MODULE 4 // INSTRUCTION GUIDE

In football, as in other sports, statistics are used to measure how well individual football players perform, as well as where the team stands in the league's rankings. Favorable numbers play a huge part in how the football player does in his or her career, as well as whether the team makes it to the final.

Once you start using credit, whether through credit cards, student loans or even having a cell phone contract in your own name, you begin building a **credit history.** Your credit history is a bit like a player's statistics in football. By looking at the past financial statistics on your **credit report**, a bank or lender can evaluate and measure the likelihood that you'll be able to pay off debt. Both your credit report and your credit score, which are based on your past performance with money, provide a picture of what kind of credit risk you are.

Avoiding mistakes that damage your creditworthiness is vital, because once it is damaged, you may find it difficult to restore.

Advantages of being creditworthy:

- You are more likely to secure favorable rates on loans and credit accounts
- You may qualify for lower auto insurance rates
- You will be able to open utility accounts for your apartment or house without paying large deposits

Challenges of not being considered creditworthy:

- You will not be able to get loans or credit cards
- You will be charged higher loan and credit card interest rates
- You may be rejected in favor of candidates with better credit histories when you apply to rent an apartment

MODULE 4 // DISCUSSION

Establishing, maintaining and protecting credit

When lenders consider your loan or credit card request, their main concern is: Can and will you pay back the amount you borrow responsibly and on time? In other words, are you creditworthy? They use many tools and consider many factors to arrive at their decision.

The three "Cs" of credit are used to determine your creditworthiness

Should a lender approve your car loan or student loan? Should a cell phone service provider approve your phone contract? Should a landlord sign a lease with you? Are you a good job candidate? These decision-makers look at three main elements during their evaluation process:

- Character – how well you handle financial obligations
- Capital – the assets you own, including real estate, savings and investments
- Capacity – how much debt you can manage based upon your income

Character

Character is an evaluation of how likely you are to repay your debts. Potential lenders look at your past history, including:

- Have you used credit before?
- Do you pay your bills on time?
- Have you ever declared **bankruptcy**?
- Can you provide character references?
- How long have you lived at your present address?
- How long have you been at your present job?

Capital

Lenders often want to know if you have any assets you can use to secure the loan, in case you lose your job or default on a loan payment.

- What property do you own that can secure the loan?
- Do you have a savings account?
- Do you have investments to use as **collateral**?

Capacity

Capacity looks at how much debt you can handle based on your current financial situation. Lenders want to know whether or not you have been working regularly in a job that will provide enough income to support your credit use.

- Do you have a steady job or income?
- How much do you earn?
- How many other loan payments do you have?
- What are your current living expenses?
- What are your current debts?
- How many **dependents** do you have?

MODULE 4 // DISCUSSION (continued)

Credit scores and reports

Details about your credit history are compiled on your credit report, which lenders or landlords can review when considering you for a loan, credit card or apartment rental. You are entitled to a free credit report each year; it is important to review your report regularly to ensure it contains no inaccurate information or fraudulent transactions that could negatively impact your credit record.

Your credit score is a number that lets lenders know how risky it is to lend to you. The higher your score, the better your creditworthiness. If your score is low, it's important to increase your creditworthiness by paying bills on time and maintaining a low credit balance. Over time, habits like these will help to improve your score.

WAYS TO INCREASE YOUR CREDITWORTHINESS:

Pay down your debts

Pay off your credit card balances in full every month. If you find yourself unable to do so, pay down your debt as soon as possible. Creditors look at the gap between your balance and your credit limit. The more unused credit you have, the better your creditworthiness. Used wisely, credit cards help your creditworthiness.

Spend less than you earn

Living within your means allows you to save more, and having money in savings increases all three Cs above.

Keep old accounts open

Lenders often look at the length of your credit history. Keeping old credit card accounts open with a zero balance helps your credit history in two ways. First, it maintains the length of your credit history. Second, when you close an account, you lower the total amount of credit available to you, which in turn raises the ratio of balances on your other loans and credit cards.

Pay your bills on time

If you cannot pay your bills on time, call each of the companies before you pay late and explain your situation. Often, you can work out an arrangement that will allow you to pay what you are able to pay at the time. And because you're acting responsibly with your creditors, you won't hurt your creditworthiness nearly as much as if you pay late or skip a payment.

Avoid bankruptcy

Bankruptcy is a legal state granted by a court of law that declares you unable or impaired in your ability to pay back your debts to your creditors. Bankruptcy is a last resort. Most bankruptcies can be avoided. Bankruptcies stay on your credit history for seven to 10 years.

Creditworthiness and auto loans

When shopping for a car, creditworthiness often plays an important role. Unless you are able to pay the entire price of a car upfront, you will likely need to take out an auto loan, which will cover the cost of the car and which you will be required to pay back over time.

One of the first steps to buying a car is determining how much you can afford to pay monthly, taking into account the cost of the car, auto insurance, maintenance and gas. Once you have a monthly car budget, you should next determine how much of a **down payment** you can afford to make. This is the amount that you pay up front. The greater the down payment you are able to make, the less you will owe in interest over the life of the loan and the less you will owe overall.

After determining your monthly budget and your down payment amount, you can begin comparing auto loans to find the best option for you. When comparing loans, consider the length of the loan term, monthly payment amounts, and the interest rate to determine the best deal. The better your credit score, the better interest rate you are likely to get. Generally, the shorter the loan term, the lower the interest rate and overall amount of interest you will pay over the life of the loan. However, your monthly payment will be higher.

MODULE 4 // QUIZ

Answer the following questions:

1. True or false: Keeping older accounts open, even if they have a zero balance, can help your credit history.

2. True or false: Having lots of debt on your credit card helps your creditworthiness.

3. True or false: Contacting lenders when you can't make a payment is a good step toward protecting your creditworthiness.

4. True or false: A house is considered capital.

5. True or false: If your creditworthiness is low, your credit card interest rates will also be low.

6. True or false: Bankruptcy is the best way to handle your debts.

7. True or false: Your credit score and your credit report can be used by creditors to determine your creditworthiness.

8. True or false: Debt collectors are prohibited by law from contacting you outside of the hours of 8:00 a.m. and 9:00 p.m.

9. When shopping for an auto loan, it's important to consider __________, __________ and __________.

MODULE 4 // WRITTEN EXERCISE

Character, capital and capacity are the three Cs of credit, which lenders use to evaluate someone's creditworthiness.

Character looks at how well you've handled your money in the past. Did you pay bills on time? Did you have a credit card? Have you ever filed for bankruptcy? How long have you lived in your home and worked at your current job?

Capital refers to the assets you currently own, such as real estate, savings and investments. Lenders want to know that you have the means to repay the loan.

Capacity evaluates your current financial situation and how much debt you can handle based on your income. Do you have a job? What is your salary? What other debts do you have? Do you have children or other dependents that you are supporting?

Consider each of the following points and decide whether it plays a role in determining creditworthiness, and if so, into which category it falls. In some cases, there may be two answers.

Example:	Character	Capital	Capacity	None
Joe filed for bankruptcy 4 years ago.	X			
Daniel pays all his bills on time.				
Marcella just took out a loan for a new car.				
George has four young children.				
Nora can speak both English and Spanish.				
Eric owns his house, plus a small vacation cabin.				
Luisa's annual salary is RM50,000.				
Jacob has used six credit cards over the past decade.				
Anna has changed jobs three times in the last year.				
Bill inherited a rare and valuable rock collection from his grandfather.				
Yuko has an IQ of 169.				

MODULE 4 // ANSWERS

Quiz Answers:

1. True 2. False 3. True 4. True 5. False 6. False 7. 300 to 850 8. True 9. True 10. Monthly payment amount, interest rate, length of loan term

Exercise Answers:

Example:	Character	Capital	Capacity	None
Joe filed for bankruptcy 4 years ago.	X			
Daniel pays all his bills on time.	X			
Marcella just took out a loan for a new car.			X	
George has four young children.			X	
Nora can speak both English and Spanish.				X
Eric owns his house, plus a small vacation cabin.		X		
Luisa's annual salary is RM50,000.		X	X	
Jacob has used six credit cards over the past decade.	X			
Anna has changed jobs three times in the last year.	X		X	
Bill inherited a rare and valuable rock collection from his grandfather.		X		
Yuko has an IQ of 169.				X