Printable Answer Key

Teen Money Independence

All 8 Units · Complete Grading Guidance

8 Units	**44 Lessons**	**3 Question Types**	**Educator Use Only**
All Topics	Every Answer Key	MC · Short Answer · Math	Do not distribute to students

HOW TO USE THIS KEY

This document is the complete answer key for all 44 lessons across all 8 units. Each lesson's answer key appears on its own clearly labeled block with the correct answer and rationale. Short Answer guidance describes what a strong student response includes; answers show the complete worked solution. Accept answers within reasonable rounding unless otherwise noted.

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UNIT 1 — MONEY FUNDAMENTALS

Lesson 1.1 What is money?

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. If we had no money, how would you buy lunch?

▶ Students should identify the double coincidence of wants problem — you need someone who has what you want AND wants what you have. Divisibility is another issue. This naturally leads to why a neutral medium of exchange emerged in every civilization.

Q2. Why can't the government just print unlimited money?

▶ More money chasing the same goods causes inflation — prices rise proportionally. If everyone has $1,000,000, a loaf of bread costs $50,000. Money only has value relative to the supply of real goods and services.

Q3. What gives a dollar bill its value — is it the paper?

▶ Not the paper — it's collective trust and government backing. The government accepts it for taxes and mandates it for debt repayment. This is fiat currency: value exists because we all agree it does, enforced by law.

Q4. How is cryptocurrency similar to or different from a dollar?

▶ Similarities: both are trust/adoption-based, both can be a medium of exchange. Differences: crypto is decentralized, highly volatile, not universally accepted, not legal tender. Key question: does it reliably fulfill all three functions of money?

Q5. What has acted as money in non-traditional settings?

▶ Examples: cigarettes in prisons, gold in video games, V-Bucks in Fortnite. Each worked because the community agreed on its value and it was scarce, divisible, and useful. Money is a social technology, not a physical object.

Lesson 1.2 Needs vs. wants

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. Is a smartphone a need or a want?

▶ Context determines the answer. For most teens: a want. For a rideshare driver: a need. Marketers deliberately make wants feel like needs — critical media literacy is a financial skill.

Q2. Have you ever bought something you thought you needed but realized was a want?

▶ Guide toward recognizing post-purchase rationalization. The lesson: deciding BEFORE spending whether something is a need or want leads to better decisions.

Q3. How do ads make wants feel like needs?

▶ Techniques: social proof, FOMO, scarcity, identity appeals. Apple's marketing makes you feel outdated without the latest iPhone — nobody needs it, but millions feel they do.

Q4. If you had $200, what would you prioritize?

▶ No single right answer — probe the reasoning. Does the student prioritize experiences or things? Immediate vs. future? Budgeting forces us to articulate what we actually care about.

Q5. Why is needs vs. wants the starting point of any budget?

▶ Every budget must first guarantee survival before allocating to anything else. The framework also guides decisions during financial hardship — wants are cut first.

Lesson 1.3 Your first paycheck

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. If you earn $12/hr × 20 hrs, why doesn't your check say $240?

▶ Federal income tax, Social Security, and Medicare are automatically withheld. On $240 gross, roughly 15-20% is withheld, leaving about $195-205. Always plan using net pay, not gross pay.

Q2. Who decides how much tax is withheld from each check?

▶ You give your employer a W-4 telling them your filing status. The IRS provides withholding tables; your employer applies them. You influence the amount through W-4 elections.

Q3. What is the W-4 form?

▶ A form you complete when starting a job telling your employer your filing status and any adjustments. Over-withholding means a refund in April. Under-withholding means you owe in April, possibly with penalties.

Q4. What's the difference between "makes $15/hr" and take-home pay?

▶ $15/hr is gross. After federal tax (~10-12%), SS (6.2%), and Medicare (1.45%), take-home is closer to $12.30-$12.80/hr. This is thousands of dollars difference over a year.

Q5. Why are people shocked by their first paycheck?

▶ Schools rarely teach what deductions look like in practice. Students grow up hearing hourly wages, not net pay. Use this shock as a teaching moment.

Lesson 1.4 Banking basics

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. What's the difference between a bank and a credit union?

▶ Banks are for-profit corporations owned by shareholders. Credit unions are member-owned nonprofits. Credit unions typically offer lower loan rates, higher savings rates, and fewer fees.

Q2. Why do banks pay interest on savings?

▶ Banks lend out deposits at higher rates. The spread between deposit interest paid and loan interest earned is their profit. Your savings interest is the bank's cost of borrowing your money.

Q3. What happens if you spend more than your account balance?

▶ Overdraft. Most banks charge $25-$35 per transaction. Three overdrafts in one day = $75-$105 in fees. Some banks have eliminated overdraft fees — worth knowing when choosing a bank.

Q4. Why does FDIC insurance matter?

▶ During the Great Depression, banks failed and people lost everything. FDIC guarantees deposits up to $250,000 per depositor. If your bank fails, you get every dollar back.

Q5. What would you look for in your first bank account?

▶ No monthly fees, no minimum balance, accessible ATMs, mobile app, high-yield savings option, FDIC-insured. Online banks often offer 4-5% APY with no fees — always shop around.

Lesson 1.5 How marketing works — and how to shop smarter

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. What is an anchor price and why is it so effective?

▶ An anchor price is a high "original" price shown next to a discounted price to make the discounted price feel like a bargain — even if the item was never sold at the original price. The brain uses whatever number it sees first as a reference point. Defense: search the same product on two other sites before deciding the sale price is actually good.

Q2. A website shows "Only 3 left in stock!" on an item you weren't planning to buy. What should you do?

▶ Apply the 24-hour rule and leave. Artificial scarcity is one of the most commonly faked retail tactics. The counter resets, the countdown restarts. Urgency bypasses rational thinking — removing yourself from the environment that created the urge is the most reliable defense.

Q3. How does decoy pricing work? Give an example.

▶ Decoy pricing presents three options where the middle option exists to make the most expensive option look like great value. Example: Small $3, Medium $4.75, Large $5.25. The medium is priced to push you toward Large. Defense: decide what size you actually need before looking at the menu or options.

Q4. Brand A detergent: $8.99 for 40 loads. Brand B: $12.49 for 64 loads. Which costs less per load?

▶ Brand A: $8.99 ÷ 40 = $0.22/load. Brand B: $12.49 ÷ 64 = $0.20/load. Brand B is cheaper per load by about 2 cents — which adds up to real savings over a year. Unit price math cuts through packaging size confusion instantly.

Q5. Why is the 24-hour rule one of the most powerful personal finance habits?

▶ Impulse purchases are triggered by emotion, environment, and manufactured urgency — all of which fade with time. The 24-hour rule removes you from the marketing context, tests whether the urgency was real, and gives your rational brain time to run a real cost-benefit analysis. Research shows most unplanned purchases lose their appeal by the next day.

UNIT 2 — BUDGETING

Lesson 2.1 The 50/30/20 rule

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. On $2,000/month, how does 50/30/20 split it? Does it feel realistic?

▶ $1,000 needs, $600 wants, $400 savings. Realism depends on location. In a low cost-of-living area, very achievable. The rule is a starting point, not a universal law.

Q2. When might someone need to adjust the 50/30/20 rule?

▶ When housing costs are unusually high, when paying down significant debt, or when income is very low. The principle matters more than the exact percentages.

Q3. What expenses do teenagers most forget to budget for?

▶ Car insurance, phone bill, clothing, subscriptions (Spotify, Netflix), impulse purchases, gifts, and annual expenses like school supplies. Irregular and annual expenses are most commonly missed.

Q4. Is saving 20% always possible?

▶ No — and guilt about this is counterproductive. Save what you can consistently. Even 1-5% saved automatically beats 20% saved "when I have extra" because the latter rarely happens.

Q5. Why treat savings like a bill you pay yourself?

▶ Because when savings is optional, it competes with wants — and wants usually win. Paying yourself first means savings comes out before you can spend it.

Lesson 2.2 Fixed vs. variable expenses

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. Give three examples each of fixed and variable expenses.

▶ Fixed: rent, car insurance, loan payment, phone plan, gym membership. Variable: groceries, gas, electricity, entertainment, clothing. Variable does not mean optional.

Q2. Your car insurance is fixed, but gas varies. How do you plan for variable costs?

▶ Use a monthly average based on past spending, or budget to the higher end of the expected range. Apps like YNAB auto-track variable categories and alert when you're near your limit.

Q3. Some months you spend more on food or entertainment. How do you handle that?

▶ Build a 10-15% buffer into variable categories. If you overspend in one area, underspend in another. The envelope method assigns a fixed cash amount per category.

Q4. What is a sinking fund and how does it work?

▶ Monthly savings toward a known future irregular expense. $1,200/year car maintenance ÷ 12 = $100/month. When the expense hits, you have the money. It converts surprise expenses into planned ones.

Q5. Why do two people with the same income have different financial situations?

▶ Fixed expense ratios differ dramatically. High fixed costs make it harder to cut during emergencies. Income alone does not determine financial health — expense structure does.

Lesson 2.3 Budget simulation

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. What surprised you most about where the money went?

▶ Housing, food, and transportation together often leave little room. Students are routinely shocked that after essentials, discretionary income is minimal.

Q2. Did you end up with a surplus or deficit? What would you cut first?

▶ If deficit: cut variable discretionary first (dining, entertainment), then consider structural changes (roommate, cheaper housing). Fixed expenses require big life changes.

Q3. What's the difference between zero-based and 50/30/20 budgeting?

▶ 50/30/20 is a high-level guideline — good for beginners. Zero-based assigns every dollar to a specific category and balances to zero. More precise but requires more time.

Q4. How does your budget reflect your values?

▶ A budget shows what you actually prioritize, not what you say you value. Budgeting forces alignment between stated values and actual spending.

Q5. If income dropped 25%, what would you change first?

▶ Priority: (1) Cut discretionary wants immediately, (2) Temporarily reduce savings rate, (3) Renegotiate fixed expenses, (4) Explore side income.

Lesson 2.4 Tracking spending

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. Have you ever been surprised by something on your bank statement?

▶ Guide toward: forgotten subscriptions, small purchases that added up, automatic renewals. Connect abstract "tracking" to a concrete personal experience.

Q2. If you spend $5/day on coffee, how much per year?

▶ $5 × 365 = $1,825/year. Invested at 7% for 30 years: ~$13,900. Small recurring costs are invisible in the moment but significant in aggregate.

Q3. What's the difference between tracking and having a budget?

▶ A budget is a plan (forward-looking); tracking is a record (backward-looking). You need both. Without tracking, you can't know if your budget is working.

Q4. Why don't most people track spending even though they know they should?

▶ Friction and fear. Many avoid it because they don't want to confront their actual spending. The fix: auto-tracking apps and framing it as curiosity rather than judgment.

Q5. What is subscription creep?

▶ The gradual accumulation of monthly subscriptions that individually seem cheap but collectively drain significant income. At $10-15 each, just 8 subscriptions = $80-120/month. Regular audits every 6 months are recommended.

UNIT 3 — SAVING & EMERGENCY FUNDS

Lesson 3.1 Why save?

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. What do you want in the next 6 months, and how much must you save weekly?

▶ Students name a goal (e.g., AirPods \$200). Calculate: \$200 ÷ 24 weeks = \$8.33/week. This makes saving concrete and actionable.

Q2. Why is it harder to save for something 10 years away?

▶ Present bias — our brains treat immediate rewards as more real than future ones. Strategies: automate savings, use vivid mental images of your future self, make goals specific with numbers and dates.

Q3. Why do people save more when they name their savings accounts after goals?

▶ Labeling money changes how we think about spending it. "Emergency Fund" feels different to withdraw from than "General Savings." This is behavioral economics in action.

Q4. Is there a difference between saving and not spending?

▶ Yes — saving means intentionally setting money aside in a dedicated account. Not-spending just leaves money in checking where it eventually gets spent. Saving is active and purposeful.

Q5. What would you do with \$10,000 right now vs. spread over 10 years?

▶ Tests understanding of time value of money. \$10,000 invested at 7% for 10 years becomes ~\$19,672. What you do with money has very different compounding implications.

Lesson 3.2 The emergency fund

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. What qualifies as a financial emergency? What doesn't?

▶ Emergency: job loss, medical bill, urgent car repair, major home repair. NOT emergency: predictable annual expenses, sales, entertainment. If it's predictable, it belongs in a sinking fund.

Q2. Why keep emergency funds in a separate account from checking?

▶ Out of sight reduces temptation. A slight transfer delay creates friction. A labeled account feels "off limits." Consider using a completely different bank for the emergency fund.

Q3. Without an emergency fund, what are your options when your car breaks down?

▶ Options: credit card (22-29% APR), personal loan (8-20%), borrow from family, payday loan (300-400% APR — catastrophic). All are worse than having \$1,000 in savings.

Q4. Why might a high-income person still struggle to build an emergency fund?

▶ Lifestyle inflation: expenses grow to match income. Someone earning $120,000 but spending $119,000 is in the same position as someone earning $30,000 and spending $29,000.

Q5. At your income, how long to save 3 months of expenses?

▶ Model: monthly expenses $1,500, saving $200/month → 3-month target = $4,500 ÷ $200 = 22.5 months. Starting early and cutting unnecessary expenses dramatically shortens the timeline.

Lesson 3.3 High-yield savings accounts

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. 0.01% vs. 4.5% APY on $1,000 — what's the difference after one year?

▶ At 0.01%: $0.10 earned. At 4.5%: $45 earned. On $10,000: $1 vs. $450. Over 10 years, $10,000 in a traditional account earns roughly $10 vs. over $5,500 in a 4.5% account.

Q2. Why do online banks offer higher rates?

▶ No physical branches, tellers, or ATM networks. Lower overhead costs allow them to pass more margin to customers as higher deposit rates.

Q3. What is the difference between APR and APY?

▶ APR = simple annual rate with no compounding. APY = effective annual rate including compounding — always higher than APR. For savings: always compare APY.

Q4. Should everyone put all savings in the highest-interest account?

▶ For emergency funds and short-term savings: yes. For long-term savings (5+ years): high-yield savings underperforms a diversified index fund historically. Right account depends on time horizon.

Q5. Why does FDIC insurance up to $250,000 matter?

▶ It means you cannot lose savings if your bank fails. Bank failures happen, but FDIC-insured depositors under $250,000 are fully protected. Non-negotiable.

Lesson 3.4 Automating savings

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. Why do people who automate savings save more?

▶ They remove the moment of decision. Every manual transfer requires willpower — most people, when tired or tempted, choose to spend. Research shows auto-enrollment in retirement plans increases participation 30-40%.

Q2. If you got a $100 raise, would you spend it or save it?

▶ Most people spend it — this is lifestyle inflation. The optimal move: save at least a portion of every income increase before adjusting lifestyle upward.

Q3. Why does "out of sight, out of mind" help with saving?

▶ Money in checking is psychologically "available" to spend. A savings account at a different bank with a 1-day transfer delay feels less spendable. Physical separation creates psychological separation.

Q4. Are round-up apps (like Acorns) a gimmick or genuinely useful?

▶ Both. Psychologically effective for people who can't save otherwise. But amounts are small: ~$900/year at best. Not a replacement for intentional savings, but a legitimate gateway for beginners.

Q5. How does $0/month vs. $200/month auto-save differ over 20 years?

▶ $200/month at 7% over 20 years ≈ $104,000. At $400/month ≈ $208,000. Dollars saved early contribute exponentially more than dollars saved later.

UNIT 4 — CREDIT & DEBT

Lesson 4.1 What is credit?

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. Why does a number between 300-850 have so much financial power?

▶ Lenders and landlords use scores to predict default risk. A 760+ score might get 6% on a mortgage; 580 might get 9% or a denial. Over 30 years on a $300,000 mortgage, that difference costs ~$180,000.

Q2. What are the five FICO score factors?

▶ (1) Payment history 35%, (2) Utilization 30%, (3) History length 15%, (4) New credit 10%, (5) Credit mix 10%. Payment history + utilization = 65%. Focus here first.

Q3. Why can checking your own score lower it one way but not another?

▶ Checking your own score is a soft inquiry — zero effect. When you apply for credit, the lender does a hard inquiry that temporarily drops your score 5-10 points.

Q4. If you've never borrowed money, do you have a credit score?

▶ Not initially — you have a thin file. Solutions: become an authorized user on a parent's card, get a secured card, or take a credit-builder loan.

Q5. Can you have a high income but a poor credit score?

▶ Absolutely yes. Income does not directly factor into credit scores. A surgeon who misses payments will have a worse score than a nurse who always pays on time.

Lesson 4.2 How interest works

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. $1,000 at 22% APR, minimum payments only — how long and how much?

▶ Payoff ~8-10 years, total paid ~$2,200-$2,500. The $1,000 product effectively costs $1,000-$1,500 more in interest. Always shocking when students calculate this themselves.

Q2. Why does compound interest help saving but hurt borrowing?

▶ When saving: your interest earns interest. When borrowing: unpaid interest adds to your balance, which earns more interest — a debt spiral. The same math that makes retirement accounts grow spectacularly makes minimum payments devastating.

Q3. What does APR stand for and why is it the right comparison tool?

▶ Annual Percentage Rate — the annual cost of borrowing. Monthly rates sound small; APR sounds large. Expressing rates annually allows apples-to-apples comparison.

Q4. What happens if 0% financing ends and you still have a balance?

▶ This is the deferred interest trap. Interest accrues the whole time but is charged retroactively if any balance remains at the end. One dollar left = all months of interest charged at once.

Q5. Why do credit card companies set minimum payments so low?

▶ Low minimums maximize the time to pay off, which maximizes interest collected. This is not accidental — it is the credit card business model.

Lesson 4.3 Credit card traps

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. If credit card companies give away so much in rewards, how do they profit?

▶ Multiple revenue streams: interchange fees (merchants pay 1.5-3.5% per swipe), interest (majority of cardholder revenue), and fees. The subset who carry balances subsidizes rewards for those who pay in full.

Q2. Have you been tempted to spend more to earn points?

▶ If a card gives 2% cash back and you spend $200 more to earn $4, you've lost $196. Rewards only make sense on spending you would have done anyway, and only when paying the full balance monthly.

Q3. What's the difference between 0% interest and deferred interest?

▶ True 0%: no interest accrues during promo. Deferred interest: interest accrues the whole time and is charged retroactively if any balance remains. An $800 TV with $50 left on month 19 generates all 18 months of interest at once.

Q4. Why do stores push you to open branded cards at checkout?

▶ Cashier earns a bonus per approval. Store earns interchange revenue. Rates are typically 25-30% APR. The "save 20% today" pitch saves $20 on $100 but costs far more if you carry a balance.

Q5. What's one rule to use a credit card without going into debt?

▶ Never charge more than you have in checking. Pay the full statement balance every month. Set up autopay for the full balance. Treat it like a debit card with a delay.

Lesson 4.4 Student loans

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. What's the difference between subsidized and unsubsidized federal loans?

▶ Subsidized: government pays interest while enrolled at least half-time. Based on financial need. Unsubsidized: available to all; interest accrues immediately and capitalizes at graduation. Always exhaust subsidized loans first.

Q2. $30,000 at 6.5% over 10 years — how much do you actually pay?

▶ Standard repayment: $340.54/month. Total paid: $40,865 — $10,865 in interest. Every dollar borrowed costs roughly $1.35 repaid over 10 years.

Q3. Why choose income-driven repayment even if it costs more interest?

▶ Cash flow management. If you borrow $80,000 but earn $40,000, a standard $880/month payment is 22% of gross income — unmanageable. IDR plans cap payments at 5-10% of discretionary income.

Q4. Is student loan debt "good debt"?

▶ It can be, with conditions: the degree leads to income that services the debt, the amount is proportional to expected salary, and these are federal loans. $120,000 borrowed for a $35,000 starting salary is objectively bad debt.

Q5. What should a high school senior ask before financing college?

▶ Total borrowing at graduation? Expected starting salary? Have I exhausted grants and scholarships? Are these federal or private loans? Have I filed FAFSA? Is there a less expensive path to the same credential?

Lesson 4.5 Building credit safely

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. What's the difference between a secured card and a regular card?

▶ A secured card requires a cash deposit that serves as your credit limit — the bank has no risk. The deposit is fully refunded when you upgrade. Secured cards report to all three bureaus exactly like regular cards.

Q2. If a parent adds you as an authorized user, does it help your credit?

▶ Yes — the account's full history appears on your report. If the parent has a 10-year-old card with perfect payment history, you benefit immediately. Risk: if the parent misses payments, it hurts your score too.

Q3. Why is payment history worth 35% and how do you guarantee perfect payment?

▶ It is the most reliable predictor of future behavior. One 30-day late payment can drop your score 60-110 points and stays on your report 7 years. Best guarantee: set up autopay for at least the minimum on every account.

Q4. What is a credit-builder loan?

▶ You make monthly payments into a locked savings account. The lender reports payments to credit bureaus. At term end you receive all the money (minus fees). No initial credit needed.

Q5. At what age should someone start building credit?

▶ As soon as they have earned income and can responsibly manage a small balance — typically 16-18. First step for a 15-year-old: ask a parent with good credit to add them as an authorized user.

UNIT 5 — TAXES

Lesson 5.1 What are taxes?

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. Name five things in your daily life funded by taxes.

▶ Public roads, public schools, fire and police, clean water, parks, libraries, food safety (FDA), air traffic control, military, Medicare, Social Security, public transit. Which would fail without collective funding?

Q2. Why does the US use a progressive tax system?

▶ A dollar is worth more to someone earning $20,000 than $2,000,000. A 22% rate affects a middle-class person's essential spending less than it would affect a minimum-wage worker. Students should engage with both sides of this debate.

Q3. What would happen if no one paid taxes?

▶ No public schools, roads, fire departments, police, military, courts, or social safety nets. Public goods are things the private market undersupplies because they can't be profitably charged for individually.

Q4. What evidence would you want before deciding if taxes are too high or low?

▶ Compare tax rates and quality-of-life outcomes across countries. Look at what spending actually goes to. Assess whether services funded by taxes are efficient. This teaches evidence-based reasoning.

Q5. What's the difference between tax avoidance and tax evasion?

▶ Tax avoidance: legal use of tax rules to minimize taxes (401k, deductions, Roth IRA). Tax evasion: illegally hiding income — a federal crime. Smart tax planning is expected and legal; hiding income is criminal.

Lesson 5.2 Income tax basics

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. If someone is in the 22% bracket, do they pay 22% on all income?

▶ No — this is the most important tax misconception to correct. They pay 22% ONLY on income within that bracket. Lower income is taxed at 10% and 12%. Getting a raise never results in a net pay reduction.

Q2. What is the standard deduction and who benefits most?

▶ The standard deduction ($15,000 single, 2025) is automatically subtracted from gross income. It benefits everyone but represents a higher percentage of lower incomes. Most people take the standard deduction.

Q3. Why does the government withhold taxes from each paycheck instead of collecting all in April?

▶ Most people couldn't afford a lump sum. Regular collection is more reliable. The government uses funds throughout the year. The withholding system was created in WWII.

Q4. What happens if too much or too little is withheld?

▶ Over-withheld: refund in April — but you gave the government an interest-free loan. Under-withheld: you owe in April, plus potential underpayment penalties. Ideal: withhold as close to your actual liability as possible.

Q5. If you earn $10,000 babysitting, do you owe taxes?

▶ Possibly yes. Net self-employment income over $400/year triggers self-employment tax (15.3%). If total income exceeds the standard deduction, you also owe income tax. No employer withholds for you.

Lesson 5.3 FICA: Social Security & Medicare

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. Why do you pay FICA taxes decades before using the benefits?

▶ Social Security operates as pay-as-you-go — today's workers fund today's retirees. It's also insurance: you're covered for disability at any age, and dependents receive survivor benefits if you die.

Q2. Is the 7.65% FICA trade-off a fair one?

▶ In favor: provides retirement income that prevents elder poverty, disability coverage, and survivor benefits. Against: slightly regressive. Students should engage with both sides thoughtfully.

Q3. Why do self-employed people pay 15.3% FICA?

▶ Because employers pay half of FICA for employees. When self-employed, you're both employer and employee, so you pay both halves. You can deduct the employer half from income taxes.

Q4. What Social Security changes would you support?

▶ Policy options: raise the wage base cap, gradually raise retirement age, reduce benefits for high-income retirees, increase the FICA rate. Each has trade-offs in fairness and solvency.

Q5. If Social Security didn't exist, how would people fund retirement?

▶ Personal savings, employer pensions (largely disappeared), family support, continued work into old age. Before SS (enacted 1935), elderly poverty was endemic. Median retirement savings near retirement is ~$87,000 — far short of needs.

Lesson 5.4 Filing your tax return

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. What's the difference between a tax deduction and a tax credit?

▶ A deduction reduces taxable income. A credit reduces taxes owed dollar-for-dollar. At 22%: a $1,000 deduction saves $220; a $1,000 credit saves $1,000. Credits are always worth more than deductions of equal size.

Q2. Is a tax refund "free money" from the government?

▶ No — it's your own money returned. Your employer withheld more taxes than you actually owed. The IRS held that excess for up to 16 months without paying you interest. Optimal: withhold close to your actual liability.

Q3. What documents do you need to file?

▶ At minimum: W-2 from every employer, SSN, bank account for direct deposit. Also: 1099-INT for bank interest over $10, 1099-NEC for freelance income over $600, 1098-T from school for education credits.

Q4. Why do paid software companies advertise heavily if IRS Free File exists?

▶ IRS Free File is chronically under-marketed. Tax software companies spend millions lobbying Congress to prevent a government-run free filing system. Research found TurboTax deliberately hid its free product from Google searches.

Q5. What happens if you miss April 15?

▶ Failure-to-file penalty: 5% of unpaid taxes per month, up to 25%. Failure-to-pay: 0.5%/month. If you can't pay, file anyway — the failure-to-file penalty is 10x the failure-to-pay penalty. If owed a refund, no penalty applies.

Lesson 5.5 Deductions & credits

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. When does itemizing beat the standard deduction?

▶ When total qualifying deductions exceed $15,000 (single, 2025). Common itemized deductions: SALT (capped at $10,000), mortgage interest, charitable contributions. For young renters without mortgages, this is rare.

Q2. Why is a $2,500 credit better than a $2,500 deduction?

▶ At 12% bracket: a $2,500 deduction saves $300; a $2,500 credit saves $2,500. The AOTC is even more powerful: 40% ($1,000) is refundable — even if you owe no taxes, you still receive $1,000 as a refund.

Q3. Why do tax credits have income limits?

▶ Credits are designed to target lower and middle-income people. Phase-outs prevent high-income earners from claiming credits designed for those with less means. The AOTC phases out $80,000-$90,000 for single filers.

Q4. Can you deduct student loan interest on your taxes?

▶ Yes — up to $2,500/year in student loan interest paid can be deducted above the line (no itemizing needed). Phases out at $75,000-$90,000 income for single filers (2025).

Q5. What is one credit teenagers and young adults should know about?

▶ The Earned Income Tax Credit (EITC) — often overlooked by young workers without children. Even single adults earning under ~$18,000 can qualify (up to $649 in 2024). Frequently unclaimed because people don't know they qualify.

Lesson 5.6 Self-employment taxes

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. If you earn $800 babysitting, do you owe taxes?

▶ Yes, potentially. Net SE income over $400/year triggers Schedule SE. On $800 net profit, SE tax ≈ $113. If total income is below the standard deduction, you owe no income tax but still owe SE tax.

Q2. Why do self-employed people pay quarterly taxes?

▶ The US tax system is pay-as-you-go. W-2 employees pay through withholding. Self-employed have no withholding, so the IRS requires quarterly estimated payments. Miss them and face an underpayment penalty.

Q3. What can a freelancer deduct as business expenses?

▶ Dedicated home office, business portion of phone and internet, equipment used exclusively for business, business supplies, business mileage, professional development courses, software subscriptions. Expenses must be "ordinary and necessary."

Q4. Are gig workers better off as contractors or employees?

▶ Employees: employer pays half of FICA, access to unemployment insurance, possibly benefits, labor law protections. Contractors: pay all FICA (15.3%), no employer benefits, no unemployment safety net.

Q5. What should someone starting a side hustle do immediately for taxes?

▶ (1) Open a dedicated business bank account. (2) Track ALL income from day one. (3) Save receipts for every business expense. (4) Set aside 25-30% of every payment for taxes. (5) Consider quarterly estimated payments if you'll earn over $3,000+ in net SE income.

UNIT 6 — INVESTING & WEALTH BUILDING

Lesson 6.1 Compound interest — the 8th wonder

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. $1,000 invested at 16 vs. 30 — how much difference at 65?

▶ At 7% avg annual return: $1,000 at age 16 (49 years) ≈ $28,700. $1,000 at age 30 (35 years) ≈ $10,680. The 14-year head start results in nearly $18,000 more from a single $1,000 investment.

Q2. What does the Rule of 72 tell you?

▶ Divide 72 by the annual return to estimate years to double. At 6%: 12 years. At 8%: 9 years. At 4%: 18 years. $10,000 at 7% becomes $20,000 at year 10, $40,000 at year 20, $80,000 at year 30, $160,000 at year 40.

Q3. Why does "time in the market beat timing the market"?

▶ Studies show even professionals fail to consistently time the market. Missing just the 10 best trading days over 20 years cuts returns roughly in half. Invest consistently, don't try to predict, don't sell during downturns.

Q4. Why don't more people start investing young if it's so powerful?

▶ (1) Lack of financial education. (2) Perceived lack of money — $50/month at 7% for 45 years = $175,000. (3) Short-term thinking. (4) Not knowing how. All of these are solvable barriers.

Q5. Do you agree compound interest is "the eighth wonder of the world"?

▶ Guide students toward appreciating exponential growth. A student who invests $100/month from 16-25 then stops will likely have more at 65 than someone who invests $500/month from 35-65. Few mathematical truths are simultaneously so simple and so counter-intuitive.

Lesson 6.2 Stocks, bonds, and mutual funds

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. When you buy a share of stock, what are you actually buying?

▶ A fractional ownership stake in a real business. You have voting rights, proportional claim on assets in bankruptcy (after bondholders), and right to dividends. You are an owner of businesses, not a gambler in a casino.

Q2. Why do bonds generally pay less than stocks?

▶ Risk/return trade-off: bonds have contractual terms — fixed payments and return of principal. Bondholders are paid before stockholders in bankruptcy. Lower risk = lower expected return.

Q3. How does diversification protect against catastrophic loss?

▶ If you own 1 stock and it goes bankrupt, you lose 100%. Own 500 equally weighted and one goes bankrupt, you lose 0.2%. The S&P 500 has never gone to zero. Diversified markets recover from every crash in history.

Q4. What happens when the stock market crashes?

▶ Nominal values decline — sometimes sharply. The S&P 500 has experienced 20-57% declines multiple times (2001, 2008, 2020). Crucially: it has recovered from every single crash and gone on to new highs. Selling in a crash turns a temporary paper loss into a permanent real loss.

Q5. Is a mutual fund better than picking individual stocks?

▶ Data strongly says yes for most investors. 80-90% of actively managed mutual funds under perform their benchmark index over 10+ years, after fees. Warren Buffett famously bet $1 million that a simple S&P 500 index fund would outperform a curated selection of hedge funds. He won.

Lesson 6.3 Index funds & ETFs

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. If 90% of actively managed funds fail to beat their benchmark, why do people still use them?

▶ (1) Marketing — actively managed funds advertise heavily. (2) Compelling human narratives. (3) Hope — people believe they can identify the 10% that outperform. (4) Advisors earn commissions. (5) Doing something feels better than "just" owning the index.

Q2. What is an expense ratio and how much does it matter over 30 years?

▶ Annual percentage of your investment taken as a management fee. On $10,000 at 7% over 30 years: 0.03% → $72,600 | 1.0% → $57,400 — a $15,200 difference from a 0.97% fee on a starting investment of just $10,000.

Q3. What does "tracking the S&P 500" mean and why is it recommended for beginners?

▶ The S&P 500 is an index of 500 large US companies representing ~80% of total US stock market value. Benefits: instant diversification, extremely low cost (0.03%), historical performance (~10% annually). Warren Buffett's will reportedly directs 90% of his estate into a low-cost S&P 500 index fund.

Q4. What is dollar-cost averaging and why does it reduce risk?

▶ Investing a fixed dollar amount at regular intervals regardless of market conditions. When markets are down, your money buys more shares. When up, fewer shares. Over time, your average cost per share is lower than the average market price.

Q5. If you had $500 today, what would you do with it?

▶ (1) If no emergency fund, build that first. (2) Open a Roth IRA (Fidelity or Vanguard — no minimums on many index funds). (3) Invest in a total stock market or S&P 500 index fund with the lowest expense ratio. (4) Set up a monthly automatic contribution. (5) Don't check it daily.

Lesson 6.4 Roth IRA for teenagers

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. Why does the government allow tax-free growth in a Roth IRA?

▶ The trade-off: you contribute after-tax dollars now. All future growth and qualified withdrawals are completely tax-free. Government logic: encouraging long-term retirement savings reduces future dependence on Social Security and Medicaid.

Q2. Does babysitting or a summer job count as earned income?

▶ Yes. Earned income = wages OR net self-employment income. Babysitting, lawn mowing, tutoring, selling handmade goods, summer employment — all qualify. Allowance, gifts, and investment income do NOT qualify.

Q3. $1,000 in a Roth IRA at 16 — how much at 65?

▶ At 7% average annual return over 49 years: $1,000 × (1.07)^49 ≈ $28,685. Tax-free. At 10%: $1,000 × (1.10)^49 ≈ $106,718. Any teenager with $1,000 in earned income who doesn't open a Roth IRA is leaving $28,000-$107,000 of future tax-free wealth on the table.

Q4. Roth vs. Traditional IRA — which is better for a teenager?

▶ Almost universally Roth for teenagers. A teenager paying 0-10% tax now vs. a 65-year-old paying 22-32% on Traditional IRA withdrawals. By paying taxes now at the lowest possible rate, the teenager captures enormous tax savings on decades of growth.

Q5. Why do advisors say a Roth IRA is one of the best gifts for a young person?

▶ (1) Longest possible investment horizon — 45-50 years of tax-free compounding. (2) Lowest tax cost — teenagers in lowest brackets. (3) Flexibility — contributions can be withdrawn anytime without penalty. (4) No required minimum distributions. A parent contributing the max for just 3 years ($21,000 total) could result in over $600,000 tax-free at retirement.

Lesson 6.5 Avoiding scams & bad advice

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. What's the difference between a pyramid scheme and a legitimate investment?

▶ A pyramid scheme's returns depend on recruiting new participants — it collapses when recruiting slows. Key tests: Can you explain how it makes money? Does it require recruiting to earn? Is it registered with the SEC?

Q2. A TikTok creator says they turned $1,000 into $50,000 in three months — what questions should you ask?

▶ (1) What exactly was invested and when? (2) Are they sharing verifiable proof or easily-faked screenshots? (3) What happened after those three months? (4) Are they selling a course or referral link? (5) Why share publicly instead of quietly making money?

Q3. What is a fiduciary and why does it matter?

▶ A fiduciary advisor is legally required to put your interests before their own. A non-fiduciary (broker) only needs to recommend "suitable" products — a much lower bar that allows higher-commission recommendations. Ask directly: "Are you a fiduciary, 100% of the time?"

Q4. What does data say about actual earnings for most MLM participants?

▶ FTC studies show ~99% of participants lose money or earn less than minimum wage accounting for expenses. In many MLMs, over 50% earn nothing in a given year. Read the actual income disclosure statement before joining any MLM.

Q5. Why is FOMO one of the most dangerous emotions in investing?

▶ FOMO drives buying at market peaks and abandoning sound strategies for speculation. Research shows individual investors who react emotionally to market movements significantly underperform those who hold steady.

Lesson 6.6 Cryptocurrency & Digital Assets

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. What is the primary difference between buying crypto and buying an index fund?

▶ An index fund represents ownership in real companies generating actual revenue. Crypto is speculative — its value depends entirely on what someone will pay for it in the future, not on underlying earnings. Both can gain or lose value, but they are fundamentally different financial instruments.

Q2. Why does exchange risk make crypto different from a bank account?

▶ Bank accounts are FDIC insured up to $250,000 — if a bank fails, the government covers deposits. Crypto on an exchange has no such protection. If the exchange is hacked or collapses (as FTX did in 2022), users can lose everything with no legal recourse.

Q3. An influencer with 2 million followers posts they are buying a specific coin. What should you consider before acting?

▶ Influencers promoting specific cryptocurrencies are very frequently paid to do so. This is a classic pump-and-dump setup — they profit when followers buy and drive the price up, then sell at the peak. Never make investment decisions based on influencer recommendations.

Q4. How does crypto taxation surprise most new investors?

▶ Many assume crypto is only taxable when cashed out to dollars. In reality every transaction is a taxable event — trading one coin for another, using crypto to buy goods, receiving it as payment. The IRS requires reporting all transactions and failing to do so is tax evasion.

Lesson 6.7 Capstone: Personal finance plan

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. What one thing from this course surprised you or changed your thinking?

▶ Strong answers involve specific numbers: "I calculated that saving $200/month from age 18 at 7% gives me over $1 million by retirement — that genuinely shocked me." Specific insights are more likely to drive behavior change than general lessons.

Q2. What is your most important financial goal for the next 12 months?

▶ Guide toward SMART formulation: not "save money" but "save $800 for my emergency fund by September 1 by depositing $100/month from my part-time job into an Ally savings account." Specific dollar, timeline, mechanism, and account transforms aspiration into a plan.

Q3. What financial mistake do you most want to avoid in your 20s?

▶ Common excellent answers: carrying credit card balances, not building an emergency fund, excessive student debt for a low-paying field, ignoring Roth IRA contributions, or falling for an MLM.

Q4. What one piece of advice would you give a younger sibling?

▶ Best answers synthesize the course into one actionable insight: "Open a Roth IRA with your first paycheck," "Never carry a credit card balance," "Build your emergency fund before anything else."

Q5. What does "financial independence" mean to you personally?

▶ Technical: when passive income covers living expenses and work becomes optional. Personal definition varies. Connect the mechanics of the course to their personal vision of financial freedom. The "why" must be personal and vivid to sustain behavior over decades.

UNIT 7 — HOUSING & INSURANCE

Lesson 7.1 Renting — The Real Cost of an Apartment

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. Monthly rent is $1,100. Calculate the total move-in cost (first, last, deposit). Is this a good deal on $2,200/month take-home?

▶ Move-in cost: $1,100 × 3 = $3,300. Monthly at $1,100 = 50% of take-home — far above the 30% guideline of $660. This apartment is technically unaffordable, regardless of how desirable it seems. Finding a roommate or a less expensive unit would be the financially sound choice.

Q2. What does "30% of take-home pay" mean vs. "30% of salary"?

▶ Salary is gross — before taxes. Take-home (net) is after taxes and deductions — what actually hits your account. The 30% rule applies to net. On $40,000/year gross (~$3,333/month), take-home might be ~$2,700. 30% of gross = $1,000; 30% of net = $810. The difference matters significantly over a year.

Q3. A landlord asks for a $1,500 security deposit. Under what conditions must they return it?

▶ Landlord-tenant law varies by state, but generally: deposit must be returned within 14–30 days of move-out, minus documented deductions for damage beyond normal wear and tear. "Normal wear and tear" includes minor scuffs, carpet flattening, faded paint. Holes in walls, burns, and broken fixtures are chargeable. Always document the apartment with dated photos and a written move-in checklist.

Q4. Why might a 19-year-old with steady income still be rejected by a landlord?

▶ Landlords assess risk. No rental history, thin credit file, income that doesn't meet the "3× monthly rent" threshold, or no established credit score can all trigger rejection even with steady income. Solutions: co-signer (parent guarantees the lease), larger deposit, or finding a smaller landlord instead of a property management company.

Q5. What should you do the day you move in?

▶ Photograph and video-document every room — walls, floors, appliances, fixtures. Send a written move-in condition report to the landlord via email within 24–48 hours. This protects you from being charged for pre-existing damage at move-out. Keep every receipt, work order, and email for the entire tenancy.

Lesson 7.2 Reading a Lease

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. Your lease ends August 31. Your new job starts September 1 in another city. Your lease has a 60-day notice requirement. What should you do, and when?

▶ You need to give written notice by July 2 (60 days before August 31). If you miss this and give notice on, say, August 1, you may be held responsible for rent through October 31 — two extra months you're no longer living there. Always calendar key lease dates on move-in day.

Q2. A landlord adds a "no overnight guests" clause to a lease. Is this enforceable?

▶ Landlords can restrict guest policies, and in most states such clauses are legal. Courts have found very restrictive guest policies problematic, but a "no guests staying more than 7 nights per month" clause is typically enforceable. Know what you are agreeing to before signing.

Q3. What's the difference between a fixed-term and month-to-month lease?

▶ Fixed-term (usually 12 months): rent is locked in, you cannot be evicted without cause, and you cannot leave without penalty before term end. Month-to-month: flexible for both parties — landlord can raise rent or end tenancy with 30 days notice; you can leave with 30 days notice. Month-to-month costs stability; fixed-term costs flexibility.

Q4. A landlord wants to inspect your apartment. What are your rights?

▶ Landlords must give advance written notice before entering (24–48 hours in most states, except emergencies like burst pipes). They may not enter randomly or use entry as harassment. Unannounced entries (except true emergencies) may be illegal in your state. Know your state's specific notice requirement.

Q5. Can a landlord keep your security deposit if you clean the apartment perfectly but there is a broken blind you didn't cause?

▶ In most states, yes — if the broken blind was documented on the move-out inspection and is not listed on your move-in condition report. This is exactly why move-in documentation matters. If you have photos proving the blind was broken on arrival, you have grounds to dispute the deduction through your state's landlord-tenant dispute process.

Lesson 7.3 Buying a Home — How Mortgages Actually Work

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. Why does building excellent credit as a teen — years before you buy a home — directly affect how much you pay for it?

▶ A teen who builds a 760+ credit score through responsible credit card use pays roughly $119,000 LESS on a $300,000 30-year mortgage than a peer with a 659 score. Every on-time payment, every low balance you carry, every year of credit history you build starting now, is money in your pocket when you buy your first home.

Q2. What is PMI and why is it required?

▶ Private Mortgage Insurance protects the LENDER (not you) if you default. It's required when your down payment is less than 20% of the purchase price. On a $280,000 home, 20% down is $56,000. With 10% down ($28,000), you pay PMI of roughly $100–$200/month until your equity reaches 20%. That's $1,200–$2,400/year in extra cost for not having the full down payment.

Q3. In year 1 of a 30-year mortgage at 7%, roughly what percentage of your payment is interest?

▶ Roughly 80% of each payment goes to interest in the early years — only about 20% reduces principal. This reverses slowly over time. The bank charges interest on the outstanding balance, which is largest at the start. Extra principal payments in the early years eliminate future interest charges on that amount for the next 25+ years — making early extra payments exceptionally valuable.

Q4. What are closing costs, and how much should you budget?

▶ Closing costs are fees paid at the time of purchase: loan origination, appraisal, title insurance, attorney fees, prepaid insurance and taxes. Typically 2–5% of the purchase price. On a $280,000 home: $5,600–$14,000 in closing costs ON TOP of the down payment. First-time buyers are often surprised — you need both down payment AND closing cost savings before you can close.

Q5. Rent vs. buy — when does buying make financial sense?

▶ Buying wins when: you plan to stay at least 5–7 years (time to recoup closing costs and build meaningful equity), your total mortgage PITI is not dramatically higher than comparable rent, you have 3–6 months of emergency savings AFTER the down payment, and your credit score qualifies for a favorable rate. Buying with a thin emergency fund is a risk — one major repair can be financially devastating when you own.

Lesson 7.4 Health Insurance Basics

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. You have a $1,500 deductible and a $5,000 out-of-pocket maximum with 80/20 coinsurance. You need $8,000 surgery. How much do you pay?

▶ Step 1: pay $1,500 deductible. Step 2: of the remaining $6,500, you pay 20% coinsurance = $1,300. Running total: $2,800. Step 3: $2,800 is below the $5,000 out-of-pocket max, so you pay $2,800 total. If the surgery were $30,000, you'd eventually hit the $5,000 out-of-pocket cap, beyond which insurance pays 100%.

Q2. What is an HSA and who benefits from one?

▶ A Health Savings Account pairs with an HDHP. Contributions are tax-deductible, growth is tax-free, and withdrawals for medical expenses are tax-free — triple tax advantage. For young, healthy people who rarely use medical care, the math often favors an HDHP+HSA: lower premium, invest the premium savings in the HSA, and let it compound. At 65, HSA funds can be withdrawn for any purpose (taxed like a Traditional IRA).

Q3. What does "in-network" vs. "out-of-network" mean, and why does it matter?

▶ Insurance companies negotiate rates with specific providers (in-network). Seeing an in-network doctor gets you the discounted contracted rate, which your deductible/coinsurance applies to. Out-of-network means the provider hasn't agreed to discounted rates — you may pay full price, and your insurer may cover little or nothing. Always verify network status before a procedure, especially for specialists.

Q4. Why does employer-sponsored insurance cost less than buying your own?

▶ Employers typically pay 70–80% of the premium — the single largest hidden element of your compensation. A plan that costs $600/month in the marketplace might cost you $80/month through an employer paying the other $520. This is why employer benefits have enormous financial value beyond the stated salary. Always compare total compensation, not just salary.

Q5. A 22-year-old just graduated and has no employer insurance. What are their options?

▶ (1) Stay on parent's plan through age 26 — usually the cheapest option if available. (2) Marketplace plan through healthcare.gov — may qualify for subsidies based on income. (3) Medicaid — if income is below ~138% of federal poverty level. (4) Short-term health plan — cheaper but minimal coverage, risky for serious illness. (5) COBRA from a prior job — very expensive. Most healthy 22-year-olds choose parent's plan or a marketplace HDHP with an HSA.

Lesson 7.5 Auto & Renters Insurance

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. You have a $500 deductible and cause $3,200 in damage to your own car. How much do you pay, and what would happen if you only had liability coverage?

▶ With collision coverage: you pay the $500 deductible; insurance pays $2,700. With liability-only: you pay the entire $3,200 out of pocket — liability only covers damage to OTHER people and their property. This is the most common financial shock first-time car owners face.

Q2. A friend says "I don't need renters insurance — my stuff isn't worth much." Name two reasons they might be wrong even if their possessions have low value.

▶ (1) LIABILITY: If a guest is injured in your apartment and sues you, renters insurance provides up to $100,000+ in liability coverage. Your possessions' value is irrelevant to a $50,000 lawsuit. (2) Additional living expenses: If your unit becomes uninhabitable (fire, flood), renters insurance covers temporary housing costs. For $15–30/month, both coverages represent enormous value relative to cost.

Q3. Why does having a $1,000 deductible instead of $250 on auto insurance lower your premium?

▶ Higher deductible = you absorb more risk yourself = insurance company pays less per claim = lower premium for you. A $1,000 deductible might save $200–$400/year in premiums. If you have a good emergency fund, a higher deductible often makes mathematical sense — but only if you could actually pay $1,000 out of pocket after an accident.

Q4. Your neighbor's tree falls on your car. Is this covered by your auto insurance or theirs?

▶ This is covered by your comprehensive coverage (an act of nature/uncontrolled event), minus your deductible. Your neighbor's liability policy does NOT cover this — falling trees are generally considered "acts of God," not negligence, even if the tree was dead or diseased. (If you could prove they knew the tree was hazardous and failed to act, you might have a negligence claim — but that requires legal action.)

Q5. What is an umbrella insurance policy and who needs one?

▶ An umbrella policy provides $1 million+ of additional liability coverage beyond your auto and renters/homeowners policies, for roughly $150–$300/year. It activates when a claim exceeds your underlying policy limits. As someone starts accumulating assets — savings, a home, a business — umbrella insurance becomes important protection against large lawsuits. For a teen with few assets, it's less urgent; for an adult with a home and retirement savings, it's essential.

Lesson 7.6 Consumer Rights & Protection

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. You see a $189 charge from a company you don't recognize on your credit card statement. What are your exact steps?

▶ (1) Search the charge name — many legitimate businesses have unfamiliar billing names. (2) Check with family — authorized users may have made the charge. (3) If still unrecognized: call the credit card company (number on back of card) to report as potentially unauthorized. (4) Request a chargeback under the Fair Credit Billing Act — issuer investigates and removes the charge during investigation. (5) Consider requesting a new card number to prevent future charges from that compromised card.

Q2. Someone calls claiming to be the IRS, saying you owe $2,400 in back taxes and will be arrested if you don't pay by gift card today. What are the signs this is a scam?

▶ Every element is a scam flag: (1) IRS contacts taxpayers by MAIL first, never phone calls demanding immediate payment. (2) No government agency accepts gift cards. (3) Threats of immediate arrest are fabricated — the IRS has a defined legal process before any criminal action. (4) Urgency and fear are manipulation tactics. Correct response: hang up and report at reportfraud.ftc.gov.

Q3. What is the difference between a fraud alert and a credit freeze?

▶ Fraud alert: notifies lenders to take extra steps to verify your identity before extending credit. Lasts 1 year (7 years if identity theft confirmed). Requires only one bureau — others are notified automatically. Credit freeze: completely blocks new creditors from accessing your credit file. Nobody can open new credit in your name. Free since 2018. Must be placed at each bureau separately. A freeze is stronger protection but you must temporarily lift it when applying for legitimate credit.

Q4. A debt collector calls and threatens to have you arrested if you don't pay a $400 medical bill immediately. What are your rights?

▶ Under the FDCPA: debt collectors CANNOT threaten arrest (civil debt is not a criminal matter). Cannot use threatening, obscene, or abusive language. Cannot call before 8am or after 9pm. Cannot call your workplace if told not to. You can demand they verify the debt in writing (they must stop collection until they do). Report violations to the CFPB at consumerfinance.gov and your state attorney general.

Q5. How can you check if your personal information has been exposed in a data breach?

▶ Free resources: HaveIBeenPwned.com (enter your email — shows which breaches contain your data). Annual free credit reports at AnnualCreditReport.com (look for accounts you didn't open). Google your own name and Social Security number (never enter SSN online — just check if it appears in search results). Also: your email provider may alert you to compromised passwords. If found, immediately change passwords for affected accounts and consider a credit freeze.

Lesson 8.1 The True Cost of College

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. A family sees that a private university costs $58,000/year and immediately rules it out. What important information are they missing?

▶ Net price — the amount after grants and scholarships. Many high-sticker-price private universities have large endowments and grant substantial aid. A $58,000 school might have a $19,000 net price for a qualifying family — cheaper than the $32,000 in-state public school with minimal aid. Always use the school's Net Price Calculator before ruling any school out on sticker price alone.

Q2. What would you personally need to know about a degree program before committing to it financially?

▶ Strong framework: (1) Starting salary range (BLS.gov/ooh has data by field). (2) Total 4-year cost at net price. (3) Median student loan debt for graduates in this program at this school. (4) Graduation rate and typical time-to-degree. (5) Employment rate of graduates within 6 months. Many schools publish this data. Making this calculation explicit — even approximately — transforms an emotional decision into an informed one.

Q3. A student is considering a $120,000 degree in a field with a typical starting salary of $35,000. What does the ROI math say?

▶ $35,000 starting salary → take-home roughly $2,200/month. Standard loan repayment on $80,000 in loans (if family paid $40,000): ~$880/month for 10 years = 40% of take-home. This is financially crippling. The ROI is negative for years. Compare: a 2-year community college transfer saves $40,000–$60,000 in tuition for the same starting job. Or a trade with higher earning potential and no debt.

Q4. What are two real alternatives to a 4-year college degree that can lead to a middle-class income?

▶ (1) Skilled trades apprenticeship: electricians, plumbers, and HVAC technicians complete a 4–5 year paid apprenticeship (earning while learning) and reach $60,000–$100,000+ in metro areas. Zero tuition debt. High demand, cannot be outsourced. (2) Coding bootcamp + certification: 3–6 months, $10,000–$20,000, entry-level software engineer roles starting $65,000–$90,000 in many markets. The path must match both interest and market reality — there is no universally right answer.

Q5. How does the "opportunity cost" of college change the real price?

▶ Beyond tuition and room/board, a full-time student foregoes 4 years of potential earnings. At $35,000/year, that is $140,000 in income not earned. Add 4 years of Social Security contributions, 401(k) matching from an employer, and the compound growth of investing even $500/month during those years.

The true economic cost of a degree is not just what you pay — it is also what you do not earn. For high-ROI careers, this trade-off is worth it. For others, it requires honest math.

Lesson 8.2 Financial Aid & FAFSA

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. A college sends an award letter showing $28,000 in "financial aid." How do you determine how much is actually free money?

▶ You must categorize every line item: Grants and scholarships = free money. Work-study = money you earn by working (not borrowed, but not automatic either). Loans (subsidized, unsubsidized, PLUS) = debt that must be repaid with interest. A $28,000 package might be $10,000 grants + $3,000 work-study + $15,000 loans — meaning $18,000 of it must be repaid. Always rebuild the math before comparing offers.

Q2. Why should you file FAFSA even if you think your family earns too much for need-based aid?

▶ Several reasons: (1) Eligibility for subsidized loans (the most favorable federal loan terms) requires FAFSA regardless of income. (2) Some institutional grants are tied to FAFSA filing, not just income. (3) Your financial picture changes year to year — a parent job loss in sophomore year may suddenly make you eligible. (4) Filing creates a record and opens doors you cannot open if you haven't filed.

Q3. What is the difference between a subsidized and unsubsidized federal loan?

▶ Subsidized: the federal government pays the interest while you are enrolled at least half-time and during the 6-month grace period after graduation. You graduate with exactly the balance you borrowed. Unsubsidized: interest accrues from day one. A $5,500 unsubsidized loan at 6.5% over 4 years in school accrues roughly $1,430 in interest before you make your first payment — so you begin repayment owing ~$6,930, not $5,500.

Q4. You receive two award letters. School A: $42,000/year cost, $24,000 in grants/scholarships, $10,000 loans. School B: $28,000/year, $4,000 in scholarships, $12,000 loans. Which is cheaper?

▶ School A out-of-pocket: $42,000 – $24,000 = $18,000/year cash gap, plus $10,000 loans = $28,000 total burden/year. School B: $28,000 – $4,000 = $24,000 cash gap, plus $12,000 loans = $36,000 total burden/year. School A — the higher-sticker-price school — is actually cheaper by $8,000/year. Never compare schools on sticker price or even total aid; always compare net cost and loan burden separately.

Q5. What types of scholarships exist outside the FAFSA/federal system?

▶ Institutional scholarships (directly from the college's endowment — often the most substantial). State-level scholarships (e.g., state merit programs for residents with qualifying GPAs). Private scholarships: community foundations, religious organizations, employers, professional associations, civic groups (Rotary, Elks), and corporations all fund scholarships. Fastweb, Scholarships.com, and College Board's Scholarship Search are free databases. Many small scholarships ($500–$2,000) go unclaimed every year because few students apply.

Lesson 8.3 Student Loans — Borrow Smart

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. You plan to study graphic design (typical starting salary $42,000). Your college costs $22,000/year net of grants. What is the maximum you should borrow total, and what does that mean for your budget?

▶ Maximum: $42,000 total (one year's starting salary). At $22,000/year net cost × 4 years = $88,000 needed. With $42,000 maximum loans, you must cover $46,000 through family contribution, savings, scholarships, and work-study. This might require a less expensive school, a transfer strategy, or significant working while in school. Knowing the math before enrolling allows planning — rather than graduating into unmanageable debt.

Q2. Explain interest capitalization with real numbers on a $10,000 unsubsidized loan at 7%.

▶ Year 1: balance $10,000, interest accrues: $700. Not paid, so it capitalizes. Year 2 balance: $10,700. Year 2 interest: $749. By graduation after 4 years, unpaid interest of roughly $3,100 capitalizes — your $10,000 loan is now ~$13,100 before you make a single payment. Future interest accrues on $13,100, not $10,000. Paying even just the interest monthly while in school ($58/month) prevents this entirely.

Q3. What is the key advantage of income-driven repayment, and what is the trade-off?

▶ Advantage: monthly payments are capped at 5–10% of discretionary income — if you earn little, you pay little. Prevents default during financial hardship. After 20–25 years of payments, remaining balance is forgiven. Trade-off: forgiven amounts may be taxable as income, and you pay significantly more total interest compared to a 10-year standard plan (years of low payments mean years of accruing interest). Best used when loan balance is high relative to income with limited earning trajectory.

Q4. Why should you always exhaust federal student loans before considering private loans?

▶ Federal loans have fixed interest rates (known when you borrow), multiple repayment options including IDR, deferment and forbearance for hardship, and potential forgiveness programs. Private loans may have variable rates (can rise significantly), fewer repayment protections, no access to IDR, and no forgiveness options. In a job loss or income crisis, federal loans offer flexibility that can prevent default; private loans may not.

Q5. A student is offered a $15,000 private loan at 9.5% variable rate to cover her remaining college costs. What questions should she ask before accepting?

▶ (1) What is the federal loan option I've already been offered — is federal borrowing space fully used? (2) Is this rate variable — could it rise significantly? (3) What are the repayment options if I lose my job? (4) Is there a cosigner requirement (likely yes), and does that person understand the risk? (5) What is the total repayment cost on a 10-year plan? At 9.5% on $15,000: monthly ~$195, total paid ~$23,400. At 6.8% federal: monthly ~$172, total ~$20,640. The difference is $2,760 over 10 years.

Lesson 8.4 Reading Your First Job Offer

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. Two offers: Job A is $62,000 base, no 401k match, employee pays $400/month health insurance. Job B is $57,000 base, 4% 401k match, employer pays full health premium ($600/month). Which is worth more?

▶ Job A true value: $62,000 – $4,800 (health cost) = $57,200 net. Job B true value: $57,000 + $2,280 (4% match) + $7,200 (employer health = $600×12) = $66,480. Job B is worth roughly $9,280 MORE despite being $5,000 lower in base salary. Never evaluate an offer on base salary alone.

Q2. A job offer includes a 2-year non-compete preventing you from working for any company in your industry within 50 miles. What questions would you ask before signing?

▶ (1) Is this enforceable in my state? (Several states, including California, do not enforce non-competes.) (2) What is the geographic scope — 50 miles effectively covers an entire metro area. (3) What is the industry scope — does it apply to a narrow specialty or your entire field? (4) Can I negotiate narrowing the terms? (5) What happens to this clause if I am laid off — am I still bound? A non-compete can cost you years of career progress. Consider having an attorney review it.

Q3. What does "vesting schedule" mean for a 401k match?

▶ Vesting determines when employer contributions become fully yours. A 4-year graded vesting schedule might mean: year 1: 25%, year 2: 50%, year 3: 75%, year 4: 100% of employer contributions are yours if you leave. If you leave after 18 months on this schedule, you forfeit 75% of the employer match. Cliff vesting (common: 3-year cliff) means 0% is yours until year 3, then 100% all at once. Knowing the vesting schedule affects the real cost of leaving a job early.

Q4. What is at-will employment and how does it affect you?

▶ At-will means either party — you OR the employer — can end the employment relationship at any time, for any legal reason, with no notice required (though 2 weeks is customary). Most U.S. private employment is at-will. Implications: you can be let go with no warning; you should also feel free to leave without complex legal negotiation. Exceptions: protected classes (cannot be fired for race, sex, religion, disability, etc.) and employment contracts that specify termination conditions.

Q5. A startup offers you a $45,000 salary and 0.5% equity. How do you evaluate the equity?

▶ Key questions: (1) 0.5% of what valuation? If the company is worth $2M, your stake is $10,000. If it grows to $100M (a big if), your stake is $500,000. (2) What is the vesting schedule — typically 4 years with a 1-year cliff. (3) What type of equity? Stock options are the right to buy shares at a set price — valuable only if the company's price exceeds your strike price. (4) What is the liquidation preference? In many startups, investors get paid before employees in an exit. Equity is a lottery ticket — possible upside but often worth nothing. Do not accept a below-market salary in exchange for speculative equity.

Lesson 8.5 Negotiating Your Salary

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. If you accept $50,000 instead of negotiating to $53,000, and every future raise is 3% — how much more do you earn over 10 years by starting $3,000 higher?

▶ $50,000 at 3%/year for 10 years: Year 10 salary $65,239, cumulative 10-year total roughly $574,000. $53,000 at 3%: Year 10 salary $69,153, cumulative roughly $608,000. Difference: approximately $34,000 over 10 years — from a single conversation. The gap widens every year because raises are calculated on the larger base.

Q2. You've received a job offer for $52,000 and want to counter at $57,000. Script the exact words you would say.

▶ A strong script: "Thank you so much — I'm genuinely excited about this role and the team. I've done research on market compensation for [job title] in [city] using BLS data and Glassdoor, and I see the range is $55,000–$62,000 for someone at my experience level. Given that, I was hoping we could get to $57,000. Is there flexibility to reach that?" Then: silence. Do not add more words until they respond.

Q3. What do you negotiate when a company says the base salary is completely fixed?

▶ The conversation shifts to the rest of the package: signing bonus (one-time, easier for companies to approve), additional PTO (costs the company nothing upfront), remote work flexibility (saves you commuting time and money), professional development budget (training, certifications, conferences), earlier performance review timeline (3 months instead of 12 — faster path to a raise), title adjustment (affects future negotiations elsewhere). Most things in an offer letter are negotiable to some degree.

Q4. Why do women and some minority groups negotiate salaries at lower rates, and what does the evidence say about negotiating?

▶ Social research suggests some groups receive more negative reactions to negotiation — and internalize this as a reason not to negotiate. However, well-designed studies show that professional, data-driven negotiation (anchored in market research, not personal need) is received positively across groups. The cost of not negotiating is real and compounding. Framing: negotiating salary is not aggressive — it is professional. You are bringing data; you are not making demands.

Q5. You have an offer from Company A and are waiting on Company B. How does having another offer change your negotiation?

▶ A competing offer is your BATNA — Best Alternative To a Negotiated Agreement. It gives you real leverage because your reservation price (the minimum you'll accept) just increased. You can honestly say: "I have another offer at $X — I'd strongly prefer to join your team, but I need the offers to be more comparable to make that decision easier." Companies expect this. If Company B comes back with a counter, you have a decision to make based on total compensation, culture, and growth — not just numbers.

Lesson 2.5 The Envelope Method

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. What is the core psychological reason the envelope method works?

▶ Cash is tangible — you can see and feel it leave your hand. Research consistently shows people spend less with cash than cards because the loss feels real and immediate. Cards abstract the transaction; cash makes the cost concrete. The envelope method uses this psychology intentionally.

Q2. A student's Fun envelope runs empty on day 20. What are their options?

▶ (1) Stop spending on fun until next pay period. (2) Consciously transfer money from another envelope and accept the trade-off. (3) Earn extra money. Each requires acknowledging the decision explicitly — unlike digital spending where money just disappears.

Q3. Why is the envelope method especially useful for teens without bank accounts?

▶ No bank, card, app, or credit history required. Any teen with cash and envelopes can run a complete functional budget immediately. It is a real financial tool, not a workaround.

Q4. Name one limitation of the envelope method that makes a different system better long-term.

▶ Cash does not build credit, earns no interest, and is impractical for online purchases. Most people graduate to bank accounts and digital budgeting (YNAB, spreadsheet) once the habit of intentional category-based spending is established.

Lesson 8.6 Financial Independence Capstone — Your Complete Road map

CHECK YOUR UNDERSTANDING — ANSWERS

Q1. What is your net worth right now, and what do you want it to be at 25 and 30?

▶ Guide students through the actual calculation: add all assets (savings, checking, Roth IRA if applicable, value of owned items). Subtract all liabilities (debts, loans). Net worth may be near zero or even negative — that is normal and fine at 16. The goal is awareness. At 25: a target of $20,000–$50,000 net worth is achievable with disciplined saving. At 30: $100,000–$200,000 is attainable for many with consistent habits.

Q2. Of everything in this curriculum — all 8 units — what is the one concept that will most change how you make financial decisions?

▶ No single right answer. Strong answers are specific and personal: "Seeing that a $1,000 Roth IRA contribution at 16 becomes $29,000 at 65 — tax free — made investing feel urgent." "Learning the true move-in cost showed me I need to save far more before I can afford to live alone." "Understanding how my credit score affects my mortgage rate by $119,000 made me see that every payment I make now has consequences I'll feel in my 30s."

Q3. What is the first financial action you will take in the next 30 days?

▶ Push for specificity. "Save money" is not an action. "Open a Roth IRA at Fidelity on Saturday and set up a $25/month automatic contribution from my part-time job" is an action. "Research salaries for software engineering at BLS.gov to see if it matches my interest" is an action. "Ask my parent to show me our health insurance card and explain what deductible we have" is an action.

Q4. Write the opening line of a letter to yourself at age 25.

▶ The exercise: students write the first sentence or paragraph of a letter to their 25-year-old self. Share examples if students are willing. Adult facilitator should share their own — including what they wish they had done differently at 16, 18, and 22. The authentic, vulnerable story from a trusted adult is the most powerful financial education tool available.

Q5. What does "financial independence" mean to you personally — not textbook definition, your definition?

▶ Technical: passive income ≥ living expenses; work optional. But personal definitions vary enormously and are all valid: security for family, freedom to take career risks, never being stressed about a car repair, buying a home, supporting parents, traveling, giving generously. Connect the specific mechanics covered in all 8 units — Roth IRA, no bad debt, emergency fund, insurance, negotiated salary, appropriate housing cost — to their personal vision. The "why" sustains the habits over decades.