

ANSWERS

Compound Interest and IRA's

Exercise 1:

- A. What is the answer? **\$17,804.41**
- B. What is the answer? **\$449,346.52**
- C. What is the answer? **\$35,608.82**
- D. What is the answer? **\$898,693.03**

Exercise 2:

- E. What is the answer? **\$526,488.66**
- F. How much of E is the original money YOU put in? **\$22,000.00** (2,000+ (2k x 10 years) =

Exercise 3:

- A. **\$20,124.91**
- B. **\$863,685.80**
- C. **\$40,249.82**
- D. **\$1,727,371.61**

Exercise 4:

Student Answers will be different in this section.

What year do you expect to retire? _____

Is there a fund for that year? _____

What is the latest date fund? (ie: 2040, 2045?) _____

Look at the other target date funds. Which one is currently paying the highest interest?

What is the maximum amount you could you invest annually in a Roth IRA if you had the funds?

\$5500.00 (2019 amount is \$6000.00)

- Call your bank or credit union; ask them what their interest rate for a Roth IRA is. What is it?

- Would you make more money with an online broker or a bank/credit union? _____
- When should you start saving for retirement? _____

PLEASE KEEP IN MIND, IF YOUR BANK/CREDIT UNION SAYS 6% - THEY PROBABLY MEAN .6% OR EVEN .06%. (Unfortunately, many of the workers do not know the difference. Where I live, you will NOT find anyone in town paying more than 1.5% for a Roth IRA. I would doubt any answer much higher than that from a bank/credit union.)

Chapter 3

401K Plan

Exercise 1 Part One

So, if your salary is \$50,000, how much is 6%? **\$3,000.00**

(\$50,000 x .06)

If your employer matches 50%, how much will they put into your account? **\$1500.00** (**\$3000 x .50**)

If you are paid every 2 weeks, how much of that 6% will be coming out of each paycheck? **\$115.38**
(\$3000/26)

If your salary is \$100,000 and you contribute 15% to your 401k, how much annually are you saving per year? **\$15,000.00**

(\$100,000 x .15)

How much is your boss going to contribute? **\$3,000.00**

(Remember, 50% of 6%, not 50% of 15%). (**\$100,000 x .06 x .50 = \$3,000**)

How much needs to come out of your paycheck if you are paid monthly to contribute the 15%? **\$1250.00**
(\$15,000 / 12 = \$1250)

Part Two

The second 'usual' way is that they will match dollar for dollar up to 5% of your annual salary.

So if your salary is \$50,000, 5% of your salary is? **\$2500.00**

(50,000 x .05)

How much is your boss putting in? **\$2500.00** (\$ for \$)

If you are paid every 2 weeks, how much will come out of each of your paychecks? **\$96.15** ($\$2500 / 26 = \96.15)

If your salary is \$100,000 and you want to save 17%, how much are you saving per year? **\$17,000.00** ($100,000 \times .17$)

How much is your boss putting into your retirement plan? **\$5,000.00**

(Remember – match is 5% \$ for \$ of \$100,000 (not of the \$17k)).

If you are paid monthly, how much is coming out of each paycheck? **\$1416.67** ($\$17,000 / 12$)

Exercise 2

You have been at your job for 5 years, and you have saved \$80,000, and you withdraw your money. How much are you giving to the IRS? **\$16,000.00** ($\$80,000 \times .20 = \$16,000$)

If you roll over your money into another qualified retirement account, how much is going to go to the IRS? **\$0** And yes, the space here is tiny because the answer is 0.

Chapter 4

Budgets

Exercise 1: Create a balanced monthly budget based on a full time, 40 hour week minimum wage (\$7.25) job for 4 weeks. $\$7.25 \times 40 \times 4 = \$1160 - \$174 (15\%) = \986 . **If the minimum wage in your area is higher, feel free to use it.** Remember to take out 15% for the Federal taxes. You do not have to fill out both columns – Just use the 2nd column.

Each student budget will be different, especially if they are living at home. Have them create a hypothetical budget – as if they were NOT living at home.

	Monthly Actual Amount	Monthly Budget Amount
INCOME: WAGES YOU EARN		\$986.00
\$XXXX.XX		
EXPENSES:		
HOUSE: Mortgage or Rent		
Homeowners/Renters Insurance		
UTILITIES: Electricity		
Water and Sewer		
Natural Gas or Oil		
Telephone (Land Line, Cell)		
FOOD: Groceries		
Eating Out, Lunches, Snacks		
HEALTH & MEDICAL		
Insurance (medical,dental,vision)		
Unreimbursed Medical Expenses, Copays		
TRANSPORTATION:		
Car Payments		
Gasoline/Oil		
Auto Repairs/Maintenance/Fees		
Auto Insurance		
Other Transportation (tolls, bus, subway, taxis)		
DEBT PAYMENTS:		
Credit Cards		
Student Loans		
ENTERTAINMENT/RECREATION:		
Vacations		
Pets		
Clothing		
INVESTMENTS AND SAVINGS:		
401(K)or IRA		
Savings		
Emergency Fund		
MISCELLANEOUS:		
Toiletries, Household Products		
Gifts/Donations		
Grooming (Hair, Make-up, Other)		
Miscellaneous Expense		
Total Expenses		
Total Income – Total Expenses =		

Exercise 2

Create a balanced monthly budget based a full time, 40 hour week, wage (\$18.00) job for 4 weeks.

Remember to take out approximately 20% for taxes. **$\$18. \times 40 \times 4 = \$2880 - \$576 (20\%) = \$2304.$** (It is **higher here because you are making more money.**) Make sure on this one you have emergency savings and savings for retirement. **Create a hypothetical budget as if they were NOT living at home.** You do not have to fill out both columns – Just use the 2nd column.

	Monthly Actual Amount	Monthly Budget Amount
INCOME: WAGES YOU EARN		\$2304
\$XXXX.XX		
EXPENSES:		
HOUSE: Mortgage or Rent		
Homeowners/Renters Insurance		
UTILITIES: Electricity		
Water and Sewer		
Natural Gas or Oil		
Telephone (Land Line, Cell)		
FOOD: Groceries		
Eating Out, Lunches, Snacks		
HEALTH & MEDICAL		
Insurance (medical,dental,vision)		
Unreimbursed Medical Expenses, Copays		
TRANSPORTATION:		
Car Payments		
Gasoline/Oil		
Auto Repairs/Maintenance/Fees		
Auto Insurance		
Other Transportation (tolls, bus, subway, taxis)		
DEBT PAYMENTS:		
Credit Cards		
Student Loans		
ENTERTAINMENT/RECREATION:		
Vacations		
Pets		
Clothing		
INVESTMENTS AND SAVINGS:		
401(K)or IRA		
Savings		
Emergency Fund		
MISCELLANEOUS:		
Toiletries, Household Products		
Gifts/Donations		
Grooming (Hair, Make-up, Other)		
Miscellaneous Expense		
Total Expenses		
Total Income – Total Expenses =		

Was this budget easier making ends meet? _____

What did you have to change? _____

Based on these two scenarios, how much money do you think you need to make an hour in order to live the lifestyle you'd like? _____

Exercise 3

Google "Reality Check" and your state. (ie: Reality check Texas)

Student answers will be different here.

Chapter 5

Credit and Debit Cards

Exercise 1

What is the minimum payment to start? **\$48.00**

How long will it take you to pay off this \$2400 if you only make minimum payments? **508 months = 42.33 YEARS**

How much total interest are you going to waste? **\$14110.72.**

Did you have a heart attack when you saw this amount? **YES**

Was it worth it? **NO**

Part 2

How long will it take you now to pay off the \$2400? **135 months 11.25 YEARS**

How much interest are you going to spend now? **\$4065.70**

Go back to table and scroll down to see total interest paid.

What is the difference in time between *only* making minimum payment vs. continuing to make the \$48 a month? **373 months or 31 YEARS (508 – 135 = 373 months)**

How much interest will you save? **\$10,045.02**

(\$14110.72. – \$4065.70 = \$10,045.02)

Part 3

Let's cut the time in half. Plug in 6 years (**72 months**) and hit "get monthly payment." What do you get for a monthly payment? **\$60.16**

How much more a month are you going to be paying from the \$48? **\$12.06**

How much interest are you going to save? **\$2134.13**
(**\$4065.70 - \$1931.57 = \$2134.13**)

Plug in 5 years. (**60 months**)

What do you get for a monthly payment? **\$66.15**

How much more a month do you need to pay from the 6 years? **\$5.99**

Plug in 3 years, (**36 months**) now what is your monthly payment? **\$91.53**

Chapter 6

Paychecks and W2 – No Worksheets

Chapter 7

Income Tax

Exercise 1

1. Are you required by law to file an income tax return? Yes or No? __NO__
Why or why not? __I made less than the standard deduction.
2. If you are not required to file a return, why would you want to?
___To get all my Income Tax withheld back. _____
3. If you file a return, will you be claiming your Personal Exemption or your parents?
___Parents_____
Why? __Because I am their dependent _____

4. How much money would you expect to get back? ___\$187___
5. How do you report the \$18 dividend from you credit union?
___As interest _____
6. Do you get your Social Security and Medicare tax withheld back? _No_

Chapter 8

College and Financial Aid – No worksheets.

Chapter 9

Buying a Car

Student answers will be different depending on the make and model of car they work with

Chapter 10

House Buying and Mortgages

Student answers will be different for most of this section depending on the house they choose.

Based on 1% PMI, if you put down 10%, how much will be added to your monthly payment to cover the PMI? **\$75.00**

$(\$100,000 - \$10,000 \text{ (down payment)}) = \$90,000 \times 1\% = \$900 / 12 = \75.00

Chapter 11

Life Insurance and Wills – No Worksheets