

Answers — Money Moves (Book 2)

Money Moves (Book 2)

TURNING CENTS INTO DOLLARS, p. 6

Simple Interest

(P x R x T = Interest)

$$\$600 \times .04 \times 1 = \$24 \text{ interest}$$

$$\$600 + \$24 = \$624 \text{ principal/interest}$$

$$\$750 \times .06 \times 1 = \$45 \text{ interest}$$

$$\$750 + \$45 = \$795 \text{ principal/interest}$$

$$\$900 \times .035 \times 1 = \$31.50 \text{ interest}$$

$$\$900 + 31.50 = \$931.50 \text{ principal/interest}$$

Compound Interest and Year-end Total for Five Years

Year	Beginning Amount Principal	Interest Rate (5%)	Annual Interest	Year-end Savings Principal/Interest
1	\$1000.00	0.05	\$50.00	\$1,050.00
2	1050.00	0.05	52.50	1102.50
3	1102.50	0.05	55.12	1157.62
4	1157.62	0.05	57.88	1215.50
5	1215.50	0.05	60.77	1276.27

Why is it best to have interest compounded as often as possible?

Your savings double at a faster rate.

STATE CAPITOL, HERE I COME

, p. 9

Savings Options

Option	Interest	Accessibility	Rank	Reasons
Money Market Savings Account	5%	1 withdrawal each month	1	<ul style="list-style-type: none"> • $\\$520 \times .05 \times 1 = \\26.00 interest • $\\$1040 + \\$26.00 = \\$1066.00$ • Safe insured by FDIC • May offer check writing services • Possible \$100 minimum balance
Passbook Savings	3%	Unlimited withdrawals	2, 3	<ul style="list-style-type: none"> • $\\$520 \times .03 \times 1 = \\15.60 interest • $\\$1040 + \\$15.60 = \\$1055.60$ • Safe insured by FDIC • Access money at anytime • Move money to another account within bank system • Lowest interest paid but do not have to pay fee. Very safe.
Mutual Fund	7%	Can't withdraw for 1 year	3, 2	<ul style="list-style-type: none"> • $\\$520 \times .03 \times 1 = \\36.40 interest • $\\$1040 + \\$36.40 = \\$1076.40$ • More risk – no guarantee of interest or principal • Management fee of \$150 at the time the fund is liquidated.

CHARGING UP, p. 12

Supplemental Information

Charge cards may seem an easy way to get what you want right now. Of course, there is a price to pay for instant credit. Like adults, youth need to be able to make decisions about when to use credit.

Sometimes people may want or need to spend money they do not have. In the case of young teens, they may want to buy a CD, go on a class trip or buy a special item of clothing.

When you borrow money, you pay additional money for the use of it. The additional money paid is called interest. When you borrow money from a financial institution, or when you use a credit card, you are borrowing money. You must pay back the amount you borrow plus the interest or fee charged to use the money.

This activity will help youth consider the cost of an item plus the cost of borrowing money. When added together, the interest and purchase price may be far greater than imagined. In essence, when money is borrowed youth will learn that they commit their future income to pay back the debt. Doing so will reduce the amount of money available for tomorrow's expenses.

Purchases can be delayed until the money is saved to pay cash. Money saved can earn a few dollars in interest by keeping it in an interest-bearing account. This will keep future spending plans more flexible.

Credit is a powerful tool that has advantages and disadvantages. Adults can help youth understand the cost by using real-life examples.

Helpers should be familiar with *Charging Up*, an activity in *Money Moves*, the second youth book in *Financial Champions*.

Answers to Buying a CD Player, p. 12

Situation	Total Amount Paid	Dollar Cost of Credit
Tom saves \$10 a month for 20 months.	\$200	\$0
Keisha paid \$24 a month for 12 months.	\$288	\$88
Maria paid \$6 a week for one year	\$312	\$112
Sam paid \$16 a month for 24 months.	\$384	\$184

Answers to What Does it Really Cost?, p. 13

	Pay Cash Now	Save in Bank Pay Cash	Bank Loan	Credit Card
Purchase Price	\$150	\$150	\$150	\$150
Interest on Savings	0	\$3.49	\$0	\$0
Interest Charged	0	0	\$5.77	\$13.74
Real cost	\$150	\$150	155.77	\$163.74
Time to Repay or Save	0	10 months	approximately 11 months	approximately 11 months

Answers may differ by several cents due to the method used to calculate the interest charged or if an annuity table is used.

COMPLETE A DEPOSIT SLIP, p. 19

Deposit Slip		Checking Deposit Items for Deposit	Dollars	Cents
Sarah Student 456 Front Street Hometown, PA 11111 555-5555		Currency	8	50
Date <u>February 24, 2002</u>		Checks (list each)	10	00
Deposits may not be available for immediate withdrawal			3	28
Sign here for cash received from deposit			3	28
		Total of Above	25	06
		Less Cash Received	0	
		Total Deposit	25	06

All items received are subject to the rules and regulations now in effect.

WRITE A CHECK, p. 20

Sarah Student 456 Front Street Hometown, PA 11111 555-5555		10-123 1234	1003
		<u>September 8, 2002</u> Date	
PAY TO THE ORDER OF <u>Chic Cuts</u>		\$ <u>14.00</u>	
		Fourteen dollars and no/100-----DOLLARS	
Financial Institution 123 Main Street Town, PA 11112			
FOR <u>haircut</u>		<u>Sarah Student</u>	
⑆031301495⑆ 725 88 2001⑆ 1003			

COMPLETE A CHECK REGISTER, p. 19

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT							
No.	Date	Check Issued To	Amount of Check/Debit	✓	Fee (-)	Amount of Deposit	Balance
	9-3-02	Checks/allowance				25.06	67.52
1003	9-8-02	Chic Cuts	14.00				92.58
	9-9-02	Debit Card	10.00				78.58

Remember to Record Automatic Payments/Deposits on Date Authorized

