Name_______________________________ Date____________________ Class____________

Personal Finance

Everyone makes choices about managing their money. What should you do with your income? The process of projecting, organizing, monitoring, and controlling future income and expenses is known as personal finance. Most middle school students receive money from doing chores and receiving gifts. High school students may have a part-time job where they receive money. In life you have two choices in dealing with money you have been given or earned: spend it now or save it for later. The decision is most likely guided by a person's wants, the items that are needed to make our lives more comfortable; or needs, the items that are required in order to live.

- Savings- the income that is not spent after people buy things they need or want.
- Budget- a spending and savings plan for an individual or an organization, based on estimated income and expenses. Once you start making or receiving money you can come up with a budget so you know how to spend and/or save your money.
- Interest- a fee for the use of money. When you start making money, you may want to open a savings account where your money can draw interest.
- Investing- refers to putting money aside now in order to receive a greater benefit in the future. Saving money is a form of investing.
- Financial investment- refers to the decisions individuals make to invest money in things such as bank accounts, certificates of deposit, stocks, bonds, and mutual funds. Financial investment is important to gaining personal wealth.
- Real investment- also known as physical capital investment refers to the decisions businesses make to purchase equipment or perhaps a factory. The amount of real investment is critical to economic growth.
- Financial investment and Real investment are connected, but they are not the same. When people talk about investments, make sure you understand if they are talking about Real or Financial investment.

Credit refers to the ability to borrow money. When borrowing money, it is understood that the money will have to be paid back (most times with interest). Car loans, home mortgages, and credit cards are all forms of credit used by consumers. Businesses will use credit by borrowing money from a bank or issuing corporate bonds. The government uses credit when dealing with a budget deficit. Government credit may be in the form of government bonds or treasury notes. There are two different types of credit, good credit and bad credit.

- Good credit- when large sums of money can be borrowed at reasonable or low rates of interest.
- Bad credit- when large sums of money have to be borrowed at high rates of interest.

Credit is very important to a country's economy. Most people can not afford to buy a house, so they take out a loan. Many people can't afford higher education on their own so they take out student loans to pay for it. People must be sure to not take out a loan that will last longer than the product they are buying. Too much borrowing can be bad for the economy. Debt is often acquired with credit. Debt is the money or goods/services owed by a person to another.

1. Explain what personal finance means in your own words.

2. Describe a time where you wanted to buy an item, but didn't have the money for it? What did you do? Explain the vocabulary word associated with the choice you made.

3. What might happen if a person buys too many of their wants?

4. Write a scenario that describes one of the following words: Saving, Investing, or Credit