

FINANCIAL INDEPENDENCE FOR GIRLS

by Leslie M. Henderson

Welcome to the Financial Independence for Girls (FIG) program! In the mid-1990's, Joan Maloney, a past president of the DeLand (FL) AAUW branch, developed the FIG program for her branch. Through a Florida AAUW mini-grant, the branch took it to their community schools and after-school agencies, and it was an immediate success.

Florida AAUW subsequently asked Joan for permission to use FIG as a state program. She agreed, and we applied for an Educational Foundation Community Action Grant to put together FIG "kits" for the branches. We were awarded the grant, and in the last seven years, dozens of branches have been offering this program to middle and high school girls. Branches "borrow" the kits, and return them after they have completed the program. FIG is still a popular and on-going program in the state.

Over the years, many of our branches have modified the modules for their particular audiences. I want to thank Sally Bailey of the Northern Palm Beach County Branch, for sending me the modules that her branch has been using. These are included below. Note that the content is mainly in question form to prompt an interactive atmosphere. I have also added a few additional modules from other successful branch FIG programs. In addition you will find included a resource list that should be helpful, as well as some teacher's notes. The modules are based on 40-45 minute classes, which seem to work well and are usually all the time a school or after-school program will make available.

This program is geared only to teens, which makes it quite unique in the Internet World that tends to cater only to women's financial literacy. What makes it even more unique is that it is tailored to AAUW's mission, and has added a focus on the positive link between education and higher salaries.

As a Certified Financial Planner, I can't emphasize strongly enough that we must start educating our children in money management before they go out on their own. Although FIG can be easily adapted to adult women, most of your local financial advisory firms [brokerage houses, banks, insurance companies, auto loan departments, and especially private certified financial planners] have excellent adult programs in all areas of money management. I would suggest that you use your local resources for adult financial literacy courses.

If you have any questions or concerns, please feel free to contact Sally [sallyb2@aol.com] or me [flaaaw@aol.com]. Also, we urge you to be sure to identify yourselves as AAUW members during your initial contact with the girls, and explain what AAUW is and what we do. After all, these are our members of the future.

I wish you success as you implement the program.

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MODULES

1. **Distinguishing wants and needs.** What do you spend your money on? Worksheet listing how students have spent money in the past few days. Ask them to decide whether they were wants or needs. As a group do a Prom Worksheet, listing items and potential costs and how to stay within money allocated for the event. (This could be cost of being a bridesmaid in a wedding for older students)

2. **Payroll deductions.** Explain what each means, calculate with students cost per paycheck for each item for mythical salary. Explain W-4 form & how it is used; Explain W-2 form and need to file 1040 EZ to receive FIT funds withheld from paycheck. If time permits, this would be a good time to discuss the fact that one of the greatest assets you have during your lifetime is your earning power, and how education and experience impacts that power.

3. **Budgets.** How to set up a budget and stick to it in order to have funds available for regular expenses and save for expensive items and the future.

4. **Bank accounts.** Types. Minimum balances. Using ATMs. How to keep and balance a checkbook. Automatic deposits. Worksheet on keeping checkbook and reconciling it with bank statement.

5. **Credit and Debit cards.** Explain the difference. Explain positive and negatives of both. Interest rates and results of making only required minimum payment. Worksheet demonstrating effects of making minimal payment, half the bill & paying in full.

6. **Internet Research:** Social security, learner's permit & driver's licenses, driver's handbook, testing, replace birth certificates, job information, directions to locations. Job opportunities, requirements, salaries. (This is only good if computers or laptop with internet access & LCD projector are available).

7. **Savvy Shopping.** Sales ads and coupons – Good and bad. The fine print. Is bigger always better? When does quality matter? Comparative shopping. Cost of loans, time payments for expensive items.

8. **Identity theft.** How to prevent it and where to get help if yours is stolen. Personal safety – money, valuables, & theft of newly purchased materials.

9. **Career Choices and Job information:** Importance of taking right classes, getting appropriate training. How to find funding for education. Where to apply. Opportunities for promotion, employer-paid training, benefits, salary increases, etc. Practice filling out

job application. Writing resumes. Use Internet to prepare for interview. Interview dress and conduct. Practice interviews.

10. **Building for the future.** Why save now? How to do it painlessly. Show examples. What are IRAs and 401 K plans? Time Value of Money: compounding and Rule of 72, "Pay Yourself First" concept, investing (dollar averaging, 70-20-10 rule, risk-to-reward, diversification)

11. **Buying a Car:** How much can you afford? What kind of car? Gas mileage, safety, documentation of frequency of repair, lemons, cars often stolen. How to test drive a car. Car loans. Understanding the paperwork.

12. & 13. **Insurance:** Types. What do you need it for? What company should you buy it from? How much do you need? What will it cost? Monthly payments vs paying all at once. Understanding the conditions of the insurance policy.

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TEACHER'S NOTES

1. **NEEDS VS WANTS:** *Needs* are basic to survival. *Wants* are desirable to make life more comfortable. *Wants* are luxuries that you can live without, but they're nice to have. Knowing the difference helps you to manage your money better.

Begin by asking students to fill out worksheet showing how they spent money for the last week. Then ask them to decide which are needs and which are not. Discuss the difference. Collect the worksheets.

Develop a group exercise around expenses involved to attend a prom or be bridesmaid for a class of older women. Tell them how much money they can afford to spend.

Hand out new worksheets and ask students to write down their expenses for the next two weeks.

Example: Ask participants to list five (or more) items or activities that they plan to do or have soon. You could gear this to the prom or bridesmaid theme. Put these in the middle column:

Need	Item/Activity	Want

Have them look at each listed item or activity that takes money, and put a check mark in the NEED or WANT column as they feel appropriate. Classmates may want to share their tables with each other and discuss.

This may also be a good time to talk about goal-setting and decision making, more in general to be used in future modules, but defining differences between short-term, medium-term, and long-term goals. For example, (1) identify goal; (2) gather information; (3) examine alternatives; (4) analyze outcomes; (5) make decision; (6) evaluate results. GOALS + DECISIONS + ACTION = RESULTS

2. **PAYROLL DEDUCTIONS:** Explain difference between *gross income* and *net income* (take-home pay). Make sure that students understand that the amount deducted from paycheck depends on two things: (1) amount they earn and (2) the number of exemptions they elect on W-4. Emphasize that net income is the starting point for developing your spending plan [this harks back to Module #1 – *Want vs Need*]. Discuss

using net income to “pay yourself first” (PYF). This means setting aside money regularly. The PYF philosophy allows you to do several things: (1) prepare for your financial future; (2) be more flexible in your purchasing decisions; (3) be more prepared for unexpected events requiring money on short notice. Analyze and discuss a hypothetical paycheck. If you have time to discuss the impact of education and experience on earnings, make copies of recent wage reports, such as http://www.bls.gov/emp/optd/optdtabi_5.pdf, which gives annual salaries as well as education required. In addition: Ask students if they know the differences in earnings without high school diploma, with a diploma, with an AA degree, etc. How can they improve their earnings potential over time?

What are the differences being paid a salary vs hourly work? Between babysitting, waitress and fast food counter jobs?

Who will pay the regular expenses when someone can no longer work?

Why is it important to begin saving for the future very early? Why is it important to increase the amount you save when your pay increases?

What are some different methods of saving for the future?

What is a 401K? An IRA? a Roth IRA? A company pension plan?

Where can you get reliable financial advice? Are there places/people not to go to for financial advice?

3. BUDGETS: How much take home pay do you have each week? Use information from paycheck session for this class

Fill two or three envelopes with take home pay amount using imitation money. Establish rule that each student must reimburse her family for the gas used to get her to and from work. Give one envelope to a student. Select student to take money as it is spent and another to serve as banker. Use a preplanned list of items with costs that class members might purchase immediately after being paid: nail polish, cute shirt that can't be worn to class, a CD or DVD, movie, popcorn & soda at theater, ice cream afterwards, Be sure money will be gone before student gets home so student is in debt to family for gas money.

Give 2nd envelope to 2nd girl. This time the money for gas for two weeks is taken out first. Then more impulse purchases (shoes, jeans, make-up, etc) so nothing is left.

Ask girls how they plan to save for gifts for family and friends; how they plan to save for major items. Hand 3rd envelope to 3rd student, and start spending money according to pre-planned list and see what happens.

Discuss payroll deductions that go directly to a savings account and direct pay check deposit.

Establish a budget: gas money, savings, clothing, fun things, etc. Ask them to keep track of what they spend and save for several weeks.

4. **BANK ACCOUNTS:** Before opening any bank accounts compare what services several banks offer, what the banks charge for certain services, hours of operation, locations, etc.

Types: Savings and Checking.

Savings: Questions:

How much money to open? What is the interest rate? How often is it paid? Balance required to earn interest? Is there charge if your balance falls below a minimum? What is it? Banking hours? Night deposit available? Automatic paycheck deposit?

Checking: Questions:

Minimum balance to open an account? Service fees for depositing money and/or writing checks? Minimum balance required to eliminate service charges for deposits and writing checks? How much are printed checks? Are checks returned with monthly bank statements? If so, is there a charge? Are small copies of all checks written during the month included in bank statement? Is there a charge? Does the bank pay interest on checking? What is the fee for returned checks due to insufficient funds? Automatic paycheck deposit available? ATM card and ATM available?

Give each student some sample checks to fill out in class. Suggest payees & amounts. Give each student check register worksheet and teach them to balance checkbook including subtracting service charges, paying for checks, ATM withdrawals.

Give students sample bank statement and explain all the items on it.

Cautions: Don't carry check books or savings account pass book unless you plan to use it that day.

The name imprinted on the check should differ from how you sign your checks.

Never sign a blank check. Fill in the amount and the payee before you sign.

Never put your account number on a savings account deposit or withdrawal slip until you are in the bank.

5. **CREDIT AND DEBIT CARDS:** Explain the difference between a credit card and a debit card:

Credit card is a charge card as a bill arrives once a month.

Debit card takes money directly and almost instantly from your bank account.

Credit cards:

Positive: allows owner to purchase items and pay later

It's a way to build credit history.

Bills show where the money has gone each month.

No interest charge IF you pay the bill in full BEFORE the due date

Negative: It's very easy to charge more than you can afford to pay at the end of billing cycle.

The interest rate on the unpaid balance is very high (discuss APR)..

The minimum payment could be less than the interest on unpaid balance.

Paying minimal amounts could result in reaching the card limit so the card is useless until the unpaid balance is greatly reduced.

Over spending and paying only the minimum means the minimum increases monthly and eventually could lead to inability to pay the minimum.

Debit cards:

Positive: The money is taken from a bank account immediately so there is never a bill to pay.

There is no interest to pay.

Can use at ATM to get cash instead of writing check.

Negative: Because the money comes out of a bank account automatically you must keep accurate track of each debit card transaction.

If you spend more than is in the bank there is a fee for insufficient funds in the account, and you have to deposit more money immediately.

Cautions:

Keep a record of your card numbers and the phone numbers to call if your card is stolen. Know what you have charged and the last time and place you used the card.

Don't carry either type card unless you are planning to use it that day.

Carry it in a safe place.

Don't sign credit cards—write see ID on the signature line.

Establish a pin number that you can remember, but no one else can figure out if your card is stolen

The use of credit is not free and must be used with caution.

Discuss the importance of credit reports and how to build a credit history, and if time permits, how to consolidate debt.

6. INTERNET RESEARCH: Where would you go for:

Birth or Death Certificates: Vital Statistics Department in state where person was born or died.

Social Security ID number: Local social security office. Look in phone book or online for address.

www.ssa.gov

Driver's License or Learner's Permit : Department of Motor Vehicles for the state where you live.

Green card: Contact nearest US Department of Citizenship and Immigration.
www.USCIS.gov

Visa: Department of State, Bureau of Consular Affairs.

W-4 form required by all employers: Local IRS office. Also www.IRS.gov

Career information: www.careervoyages.gov; www.ajb.dni.us (America's job bank);
www.careeronestop.org

7. SAVVY SHOPPING:

Expensive purchases:

First, ask participants "Is it a *want* or a *need*?"

Where can you get the best deal? Will the product be reliable? How long should it last?

Are all brands, models the same? Are some differences unacceptable?

How much can you afford to pay for it? Are there other expenses besides initial cost?

Should you borrow the money? How much would it cost and how long would it take to pay off the loan? What should you know about loan agreements?

What happens if you skip payments?

What else should you consider before you buy an expensive item?

8. **IDENTITY THEFT:** Explain seriousness of repercussions of identity theft. Stress that it's not easy to undo.

Discuss what a credit rating is, and how it affects loans, mortgages, etc., and how credit rating companies often offer identity theft alerts.

To report a lost or stolen purse or wallet? How many places can students name?
www.idtheftcenter.org is good source of information.

What items should you have in your wallet? Which ones should be left in a safe place at home unless they are needed that day?

See Module 6 for further discussion.

9. CAREER CHOICES AND JOB INFORMATION: Revisit www.careervoyages.gov.

Talk about the importance of taking the right classes, getting the right training, choosing a place of employment that offers opportunities for promotion, merit and/or cost of living increases; health benefits, and the importance of establishing a good performance record wherever you work.

See Module 6.

10. BUILDING FOR THE FUTURE:

What are the differences being paid a salary vs hourly work?

Who will pay the regular expenses when someone can no longer work?

Why is it important to begin saving for the future very early? Why is it important to increase the amount you save when your pay increases?

What are some different methods of saving for the future? Discuss time value of money – the effect of time, money, and rate of interest (or rate of return) on savings and investment growth. Make a sample table of amount saved per week in one column and its value after 10 years given an average rate of interest.

Rule of 72: (1) Divide 72 by the interest rate you expect to earn. This will show approximately how many years it will take to double your money.

**Saving Now VS Saving Later
Earning 9% Interest**

Beginning	Monthly Amount Saved	End Result 20 Years From Now
Now	\$50	\$33,394
In 10 Years	\$150	\$29,027

What is a 401K? An IRA? a Roth IRA? A company pension plan? Use the example of two people who decide to contribute \$2,000 annually to their IRA's. Both accounts earn on average 9% annually. The first person begins saving \$2000 annually for nine years, from ages 22-30. She makes a total investment of \$18,000, and makes no further contributions. At age 65 her IRA will be worth \$579,471. However, the other person decided to wait until age 31 to begin her annual contributions of \$2000. She continues to make her contributions every year through age 65. She invests a total of \$70,000, and will have only \$470,249 in her IRA. She invested \$52,000 more and made \$100,000 less. More time means more money!

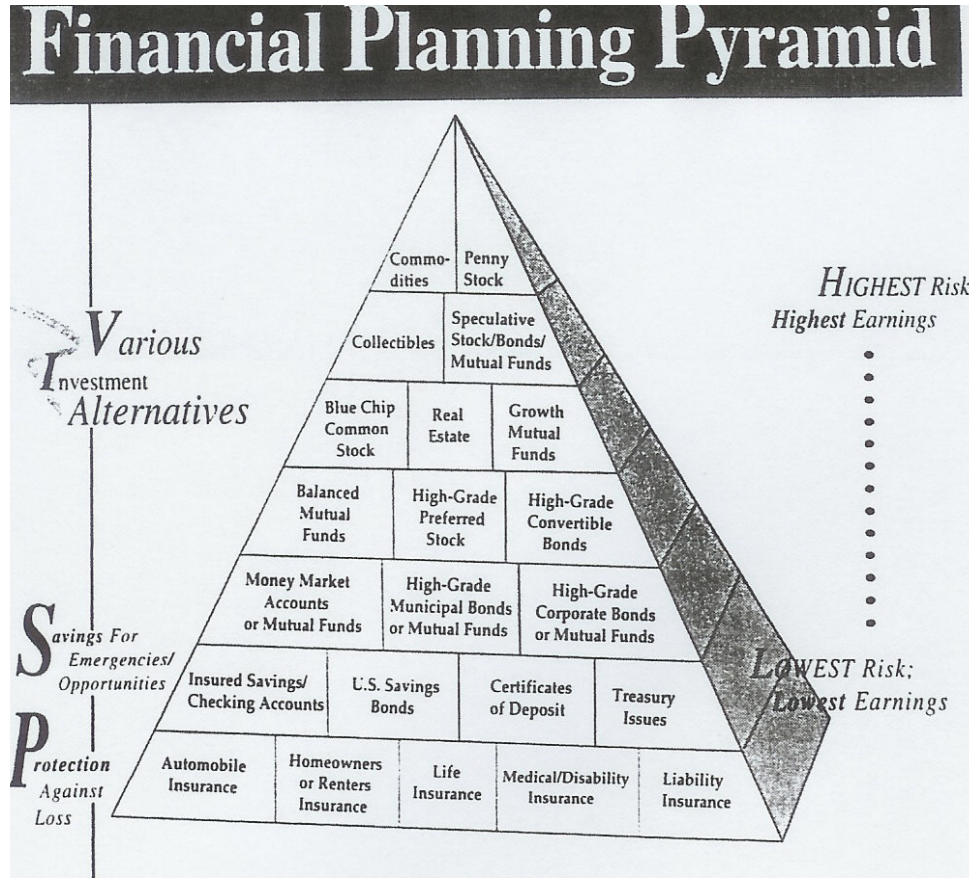
A good rule of thumb is the 70-20-10 Rule:

√ You spend 70%.

√ You save 20% for later for spending on larger ticket items.

√ You invest 10%.

Where can you get reliable financial advice? Are there places/people not to go to for financial advice?



11. **BUYING A CAR:** Is it a *want* or *need*? Effect of depreciation. How will it be used? Can it be kept in a safe place?

See:

<http://www.carsmart.com/content/research/index.cfm?id=10007;CRSM&action=showArticle&aid=138187>

<http://www.byggpub.com/books/tg2rw/cars.htm>

<http://www.carbuyingtips.com/first-time-buyer.htm>

http://www.is-it-a-lemon.com/vehicle_history/teen.htm

12. **INSURANCE:** Define “Risk Management”. Ask class to list the risks they have in their lives, and the difference between avoiding risk, reducing risk, and accepting risk.

Discuss “transferring risk”, i.e., *Insurance*, including the different kinds: auto, property, health, life, liability, flood, disability, etc. You’ll only have time to discuss one type of insurance, and given the age of audience, auto insurance is suggested.

How Insurance Works: the easiest way to explain the theory behind insurance is the following: Let’s assume that a group of people decide to form a club to provide protection for loss on their cars. Twenty people join the club, and the club decides to charge dues of \$50 per month per person. Total annual income for the club will be \$12,000. Nancy joins the club. In the fourth month, she has an accident where she hits a neighbor’s new Corvette. It’s a minor accident, but because of the value of the neighbor’s car, it costs a bundle. The club pays \$2,500 to the Corvette owner for repairs and \$500 to Nancy for repairs on her car. The funds of the club have decreased \$3,000, leaving a balance of \$1,000 at the end of the fourth month. Nancy was the first member to have an accident. Three months go by and Nancy is involved in another accident. This time Nancy survives this one without damage to her car, but it costs \$500 for the car she hit. Once again, the funds of the club are dipped into. During the rest of the year, five other club members have accidents, which cost the club \$7,500. The operating costs of the club for the year are \$1,000, which includes managing membership dues, providing contracts, paperwork, and preparing reports and mailing. The balance of the club at the end of the year is \$0. The members now have to decide how much dues to charge and who will stay in the club. They may decide to kick Nancy out of the club or they may charge her higher dues than the other members because she cost the club so much.

General principle to follow on insurance: *If you cannot avoid a financial exposure, reduce the risk as much as possible. Accept the smaller losses that you can afford, but insure yourself against potentially large losses, even if the event seems unlikely.*

Discuss the role of premiums and deductibles.

Ask class to list factors affecting auto insurance costs: age, gender, marital status, good student discount, driver education classes, cost of repairs, driving record, type of car, use of car, and location.

13. INSURANCE PART 2: Finish up discussion of auto insurance by breaking down an insurance policy. Discuss liability, medical payments, uninsured/underinsured, no fault, collision loss, etc. – what they are and how to decide how much coverage you need. Finish with a discussion of how to shop for an insurance agent.

Briefly touch on home owners insurance and renters insurance, and how to understand what is included in the policy and what are the exclusions.

Introduce health insurance, which protects against the risk of health expenses. It comes from various sources: a parent’s employer, the teen’s employer, parent’s direct-pay coverage, membership associations, government agencies, or colleges/universities. Briefly discuss the difference between indemnity plans and managed care plans

(HMO's, PPO's and POS's), the role of deductibles, co-pays, coverage limits and restrictions.

Disability Insurance: covers the risk of loss of income because of an accident or illness.

Liability Insurance: protects against lawsuits against you.

If there is time, introduce life insurance – what it is, difference between term and whole, and who needs it.

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RESOURCES

*For one-stop shopping,, the very first place you should go for background and additional resource material is www.jumpstartcoalition.org. This site has just about everything you will need for the Financial Independence for Girls program. Quote from their site: “**First convened in December, 1995, the Jump\$tart Coalition for Personal Financial Literacy determined that the average student who graduates from high school lacks basic skills in the management of personal financial affairs. Many are unable to balance a checkbook and most simply have no insight into the basic survival principles involved with earning, spending, saving and investing.***

Many young people fail in the management of their first consumer credit experience, establish bad financial management habits, and stumble through their lives learning by trial and error. The Coalition ´s direct objective is to encourage curriculum enrichment to ensure that basic personal financial management skills are attained during the K-12 educational experience. The wheels of education do not need to be reinvented, they simply require balance. ”

National Endowment for Financial Education (www.nefe.org). NEFE has a “High School Financial Planning Program” that includes free teacher’s manuals, lesson plans, interactive games, puzzles, activities, visuals, etc. This is a “must” site if you plan to teach financial literacy to teens.

Wallet Wisdom – a finance game for teens.
<http://nieonline.com/ajc/downloads/WalletWisdom.pdf>

Pitfalls of Plastic: A Primer, 1997, by M. Melinda Tschappat

Money Smarts, a Girl Scout Financial Literacy program for girls.
www.girlscouts.org/moneysmarts/

No More Frogs to Kiss: 99 Ways to Give Economic Power to Girls, by Joline Godfrey
“The guide contains 99 entertaining "action plans" to teach girls how to become financially empowered. They will learn to find deals in the marketplace, use business vocabulary intelligently, start a small home business more profitable (and fun) than baby-sitting and develop the habit of saving for the future. Accompanying each activity are provocative statistics about women and money, as well as stories of girls and women who have succeeded in their own business ventures. Also included is a resource section that provides suggestions for further reading, a directory of organizations and a glossary of business terms.”

Online Resources for Young Investors: comprehensive list of programs & activities
http://www.ici.org/funds/inv/resources_young.html

The Only Investment Guide You’ll Ever Need, 2005, by Andrew Tobias

www.consumersearch.com - information about many consumer products
www.carbuyingtips.com – explains car buying process
www.kbb.com – car values for new and used cars
www.ssa.gov - Social Security, Medicare and disability information
www.irs.gov – income tax forms, suspicious emails and identity theft
www.mindyourfinances.com - Money Management Skills
www.smartercredittips.com. – money matters for students: a guide to a healthy credit rating
www.annualcreditreport.com – Annual free credit report; consult frequently asked questions
www.idtheftcenter.org. - Identity Theft Resource Center. Scam alerts: lost wallets
www.internetfraud.usdoj.gov –Internet fraud explanation.
<http://content.monster.com> – Career advice; self-assessment
www.petersons.com – information about colleges and universities
www.careervoyages.gov – Dept. of Labor’s web site for “The Ultimate Roadtrip for Career Success”
www.ajb.dni.us – America’s Job Bank
www.careeronestop.org – onestop shopping for career help, choosing schools, finding educational funding, etc.

This list is just a sample of what is out there! Have fun surfing!