



PLUS WORKBOOK

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PERSONAL FINANCE VOCABULARY

Match the definitions below to the correct bolded word.

DEFINITIONS

- A** Something that allows you to lower the amount of taxable income you made in a year.
- B** A request submitted to your insurance provider to help pay for covered expenses.
- C** A document detailing the type and amount of coverage that your insurance offers.
- D** An amount paid before a large purchase that reduces the loan amount and proves your intention and ability to make such a purchase.
- E** Anything that you spend money on, whether it's a necessity or a luxury.
- F** A contract that lets you use someone else's property for a specified rate and length of time.
- G** Debt to income ratio, the amount of money you make each month versus how much debt you have to pay. DTI is an important aspect of qualifying for credit.
- H** A service that provides protection against unpredictable events such as car accidents or broken arms.
- I** The amount that you own in assets minus the amount you owe in liabilities.
- J** The total amount of unpaid money on a loan excluding any interest charges.
- K** Contributions to state and federal governments to pay for things like public services and infrastructure.
- L** A self-funded retirement account that invests after tax dollars, meaning taxes don't have to be paid when the funds are withdrawn at retirement.
- M** A self-funded retirement account that invests pre-tax dollars, meaning taxes have to be paid when funds are withdrawn at retirement.
- N** How easily accessible money is. A checking account is extremely liquid, a CD is not.
- O** A loan used to buy a home, often with a term of 15-30 years.

SITUATIONS

1. After her car accident, Clara submits a **claim** to her insurance company.
2. Taylor and Steve have finally saved enough for the **down payment** on a home.
3. Because her **DTI** was so high, Michelle didn't qualify for the loan she wanted.
4. Evelyn decided to take the standard **deduction** because it would save her more on her taxes.
5. Wes added a new **expense** to his budget since he'll be paying rent for the first time.
6. Thanks to her **insurance**, Cami only has to pay a copay when she visits the doctor.
7. Before she can move in, Eloise must sign the **lease** for her apartment.
8. **Liquidity** was the main thing that convinced Tony to store his emergency fund in a regular savings account.
9. Heather celebrates paying off her **mortgage** by hosting a party at her house.
10. Jim's **net worth** goes up after he pays off his debt.
11. To find out if his procedure will be covered, Colin checks his insurance **policy**.
12. Jerry is shocked when he realizes he'll have to pay back more than just the **principal** on his loan.
13. The first thing Roger does when he gets his paycheck is put 10% into a **Roth IRA** so that he'll be prepared for retirement.
14. When she got her first job, Hope was surprised how much was taken out of her paycheck for **taxes**.
15. Since Maisie chose a **traditional IRA**, she knows she won't get to take home all of the money in the account when she retires.

COST OF LIVING

Elizabeth currently lives in Little Rock, Arkansas. Her work recently shifted to be 100% remote and she's thinking about moving to a new city. Right now her top options are Philadelphia and Portland.

Help Elizabeth see how far her net monthly income of \$3,600 will go in each city by creating a budget based on her habits. Keeping in mind the **fixed expenses** for the cities that she already found, enter amounts into the blanks next to the **variable expenses**. Make sure to account for all of her income.

BUDGET PER CITY

Little Rock Budget

Rent:	\$1,100
Utilities:	\$100
Groceries:	\$250
Car Payment:	\$250
Gas & Parking:	\$120
Healthcare:	\$380
Debt Payments:	\$70
Entertainment:	\$500
Restaurants:	\$200
Clothes:	\$150
Subscriptions/ Memberships:	\$150
Savings:	\$330

Philadelphia Budget

Rent:	\$1,350
Utilities:	\$120
Groceries:	\$310
Car Payment:	\$250
Gas & Parking:	\$140
Healthcare:	\$460
Debt Payments:	\$70
Entertainment:	\$.....
Restaurants:	\$.....
Clothes:	\$.....
Subscriptions/ Memberships:	\$.....
Savings:	\$.....

Portland Budget

Rent:	\$2,000
Utilities:	\$90
Groceries:	\$290
Car Payment:	\$250
Gas & Parking:	\$150
Healthcare:	\$515
Debt Payments:	\$70
Entertainment:	\$.....
Restaurants:	\$.....
Clothes:	\$.....
Subscriptions/ Memberships:	\$.....
Savings:	\$.....

1. What categories did you find easiest to trim down in Elizabeth's budget? Why?

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2. What categories did you find most difficult? Why?

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3. Elizabeth found someone looking for a roommate in Portland. If she moved in with them, she would only need to pay \$1000 in rent and \$45 in utilities. How much would that save her monthly?

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4. Most of the expenses written out for you are called **fixed expenses**, meaning you don't have control over them month to month, whereas the others were **variable expenses** and are relatively easy to change. Choose one of those variable expenses. What practical changes can she make in her life to save money in that area?

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5. Which city would you personally recommend for Elizabeth? Why?

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PAYCHECK DEDUCTIONS

Because of various deductions to your pay, the amount you take home will always be less than your listed salary. How much less depends on various factors. Using the definitions and amounts listed below, calculate Ed's deductions and net pay.

DEFINITIONS

Federal Income Tax Withholdings (Fed Tax)	A percentage of your paycheck, based on your income, is taken out for income taxes. Come the tax deadline in April, you'll need to calculate if too much or too little was withheld throughout the year, and you may need to pay more or get a refund. For this example, we'll assume \$105 per paycheck.
FICA Medicare Taxes (FICA Med Tax)	1.45% of your paycheck goes toward Medicare, which helps pay for medical costs for elderly or disabled people.
FICA Social Security Taxes (FICA SS Tax)	6.2% of your paycheck goes toward social security, which is money that supports retirees, their families, and others who can't work.
Gross Pay	The money you earn before any deductions are taken out.
Health Insurance Premium (Health INS)	If you have employer provided health insurance, you'll pay a set premium each month, deducted from your paycheck. Ed's premium is \$100 a month, \$50 per paycheck.
Net Pay	The money you take home after deductions are taken out.
State Taxes (NC St Tax)	Some states charge taxes on income. Ed lives in North Carolina, so he pays 4.99%.
Traditional 401(k) Contribution (Trad 401(k))	If your employer offers a 401(k), you can contribute a percentage of your pay to it. A traditional 401(k) draws that percentage from your gross, pre-tax income. Ed contributes 4%.

PERCENTAGES OF \$2,800 CHEAT SHEET

1.45% = \$40.60

4.0% = \$112.00

4.99% = \$139.72

6.2% = \$173.60

PAYSTUB

Queen Anne’s Shipping Company		Earnings Statement	
EMPLOYEE NAME		PAY PERIOD	PAY DATE
Ed Teach		02/07/21 -02/20/21	02/28/21
INCOME		DEDUCTIONS	
Gross Pay	2,800	FICA MED TAX
		FICA SS TAX
		Fed Tax
		NC St Tax
		Health INS
		Trad 401(k)
		TOTAL DEDUCTIONS	NET PAY

If Ed wanted to increase his net pay, what could **he** do?

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HOW TO FILL OUT A W4

Take the relevant information from below and use it to fill in the W-4 to the right.

CONFIDENTIAL FILE

Name: Sandy Z. Doesitall

Character Description: Aspiring dancer, artist, theatre geek, and gymnast. Loves fishing, biking, running, jumping, diving, swimming, cooking, eating, underwater basket weaving, and standing on their head. Hates clouds. Listens to all types of music but only ever listens with the volume at 12%—no more, no less. Never disagrees with anyone unless they say that’s disagreeable. Has a great deal of patience, but can’t tolerate indecisiveness. Some might call this hypocrisy—they call it intuitiveness—don’t ask them why.

Age: 28

Place of Birth (POB): San Diego, California

Date of Birth (DOB): June 29th, 1993

Current Address: 55 S. 3000 E. Rome, WI. 54494

Social Security Number (SSN): 000-52-4956

Status: Single

of Children: 0

of Pets: 3

Previous Jobs: 4

Current Jobs: 0

Failed jobs: 10 (the number would be greater if they included rain-drop catching as a career path).

DEFINITIONS

- Deductions** Something that reduces the amount of your income that the government will tax you for. Most people take the standard deduction, which is a set dollar amount based on your filing status. You can also itemize, which subtracts specific deductions individually.
- Dependents** Someone you can claim (say that you take care of) on your taxes other than your spouse. Most dependents are children or family members.
- Withholdings** How much money is taken out of your paycheck to go toward taxes. If you choose to take out extra withholdings, you’re more likely to get a large refund at tax time rather than owe money.

Form W-4 (Rev. December 2020) Department of the Treasury Internal Revenue Service	<h2 style="margin:0;">Employee's Withholding Certificate</h2> <p style="margin:0;">▶ Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. ▶ Give Form W-4 to your employer. ▶ Your withholding is subject to review by the IRS.</p>	OMB No. 1545-0074 <div style="font-size: 2em; font-weight: bold; text-align: center;">2021</div>
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Step 1: Enter Personal Information	(a) First name and middle initial _____	Last name _____	(b) Social security number _____
	Address _____		▶ Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov .
	City or town, state, and ZIP code _____		
	(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly or Qualifying widow(er) <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)		

Complete Steps 2-4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, when to use the estimator at www.irs.gov/W4App, and privacy.

Step 2: Multiple Jobs or Spouse Works

Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs.

Do **only one** of the following.

- (a) Use the estimator at www.irs.gov/W4App for most accurate withholding for this step (and Steps 3-4); **or**
- (b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below for roughly accurate withholding; **or**
- (c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld ▶

TIP: To be accurate, submit a 2021 Form W-4 for all other jobs. If you (or your spouse) have self-employment income, including as an independent contractor, use the estimator.

Complete Steps 3-4(b) on Form W-4 for only ONE of these jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3-4(b) on the Form W-4 for the highest paying job.)

Step 3: Claim Dependents	If your total income will be \$200,000 or less (\$400,000 or less if married filing jointly): Multiply the number of qualifying children under age 17 by \$2,000 ▶ \$ _____ Multiply the number of other dependents by \$500 ▶ \$ _____ Add the amounts above and enter the total here 3 \$ _____	
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Step 4 (optional): Other Adjustments	(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income 4(a) \$ _____	
	(b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here 4(b) \$ _____	
	(c) Extra withholding. Enter any additional tax you want withheld each pay period 4(c) \$ _____	

Step 5: Sign Here	Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete.		
	▶ _____ ▶		Date
	Employee's signature (This form is not valid unless you sign it.)		

Employers Only	Employer's name and address _____	First date of employment _____	Employer identification number (EIN) _____
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UNDERSTANDING CREDIT CARDS

Credit cards can be a useful financial tool or a serious financial pitfall. Understanding how they work will allow you to avoid trouble and stay in tip-top financial shape. Using the definitions below, answer the following questions about credit and credit cards.

DEFINITIONS

Annual Fee	A yearly fee some credit cards charge for using the card.
APR	Annual Percentage rate, the yearly interest rate that you'll pay for money borrowed with a credit card and not paid back within the grace period.
Credit Card	A card that allows you to borrow, repay, and borrow money again for everyday purchases. The money borrowed accrues interest if not paid off in full within the grace period.
Credit Score	A score between 300 and 850 that reflects how likely you are to return what you borrow. Various aspects of your credit history will impact your score in positive and negative ways.
Debt	Money you owe to a person or entity you borrowed from.
Interest	A percentage of money borrowed that must be paid to the lender on top of the initial amount.
Grace Period	How long you have to pay back money borrowed on a credit card before it begins to accrue interest, usually about a month.
Minimum Payment	The smallest amount you're required to pay back on your debt each month in order to avoid fees. Paying only the minimum payment means you'll accrue interest.

1. The things that impact your credit score the most are payment history (whether you paid back what you borrowed on time and in full), how much you borrowed, and how long you've been borrowing. Why do you think lenders would care about each of these three factors?

- a.
- b.
- c.

2. Explain the benefits and possible drawbacks of using a credit card. Use at least four of the credit vocab terms in your response.

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3. You're trying to decide between two options for your first credit card.

- | | |
|-------------------------|----------------------|
| Credit Card A. | Credit Card B |
| · 15% APR | · 23% APR |
| · Has a \$50 annual fee | · Has no annual fee |

Which card would you pick and why?

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HEALTH INSURANCE COSTS

The insurance process is complicated—health insurance is particularly confusing. In this activity, you'll tally up the health expenses for 6 people who all have the same insurance provider and plan. Using the definitions and prices for their plan below, calculate what each person paid.

DEFINITIONS

Premium	A set amount of money you pay to your insurance company every month in exchange for coverage, regardless of if you use the insurance or not.
Copay	A set amount that you pay for certain services, such as regular checkups and preventative care.
In-Network Providers	A provider that your insurance company has negotiated a discount with.
Out-of-Network Providers	A provider that your insurance company hasn't negotiated a discount with, meaning that you will have to pay the full price.
Deductible	The amount you have to pay out of pocket for qualified expenses before your insurance will begin to pay. Premiums and copays do not count toward your deductible.
Co-insurance	A set percentage of the full cost that you'll pay for care. Co-insurance only kicks in after you meet your deductible. You'll pay this percentage instead of the full price for any costs you incur after that.
Out-of-Pocket Max	The maximum amount of money you will have to pay on healthcare services each year. Premiums do not count toward your max.

VANDAL HEARTS INSURANCE LOW-DEDUCTIBLE PLAN EXPLANATION OF BENEFITS:

- **Monthly premium:** \$120
- **Deductible:** \$3,000
- **Co-insurance:** 20%
- **Out-of-Pocket Max:** \$6,500
- **Copay for in-network doctor's visit:** \$25
- **Medication and antibiotics copay:** \$10
- **In-network urgent care copay:** \$50

Figure out how much each person paid for healthcare this month (and remember, each individual will at least pay the monthly premium no matter what).

1. Sam didn't use his health insurance this month. \$.....

2. Zeke fell and cut his leg, so he went to urgent care.
· Previously paid toward deductible: \$25
· Provider: In-network urgent care
· Billed Costs
· Tetanus shot: \$40
· Stitches: \$150
\$.....

3. Cami had to get wrist surgery.
· Previously paid toward deductible: \$360
· Copay: Not required
· Billed Costs
· Consultation: \$200
· Surgery: \$4,000
\$.....
Hint: She'll have to pay until she reaches her deductible, then pay co-insurance on the remaining balance of her surgery. To find 20%, take off the farthest right integer and multiply that new number by 2.

4. Flora went to the doctor with a scratchy throat.
· Previously paid toward deductible: \$100
· Provider: In-network doctor.
· Billed Costs
· Strep test: \$40
· Antibiotic prescription
\$.....

5. Chad hurt his arm while playing sports.
· Previously paid toward deductible: \$450
· Provider: Out-of-network doctor, charged \$250
· Care: Recommended ice and heat
\$.....

6. Anna had a baby.
· Total paid toward out-of-pocket max: \$6,000
· Copay: Not required
· Billed Costs
· Hospital charges: \$4,500
· Obstetric care: \$1,500
· Anesthesia: \$1,000
· Lab tests: \$500
\$.....

ECONOMICS READING COMPREHENSION

Creating an incentive for shoppers to stay in Valleydale positively impacts our town's economy in several ways. This includes boosting our unemployment rate and pulling in more tax revenue. The article and questions afterward have been modeled after the reading portion of the SAT. Carefully read the snippet and consider the writer's intent and how they make their argument before answering the questions on the next page.

Ever since the Green Grove shopping center opened up just outside Valleydale's limits, our city has seen a marked decline in economic activity. More people are shopping outside of Valleydale, rather than in it, meaning we're losing out on various benefits we enjoy when our stores are full. What can we do to get shoppers back on our side of the line? Simple: provide more incentives to shop here.

Creating an incentive for shoppers to stay in Valleydale positively impacts our town's economy in several ways, including Valleydale's unemployment rate and tax revenue. An increase in customers requires an increase in workers to accommodate them. When customers dry up, so do the jobs needed to support them. In fact, Valleydale has seen a 15% decrease in employment since Green Grove opened. A higher unemployment rate in Valleydale means that more of the town's residents are unable to participate in the economy and may even require financial support from the city. When shoppers return to Valleydale, we can expect the unemployment rate to decrease.

Valleydale also receives tax revenue from purchases made in town. This revenue goes back to our government and, eventually, improves the lives of our citizens. By increasing the number of shoppers in Valleydale, that tax revenue will naturally increase as well. As an additional benefit, when shoppers support our small, local businesses, they are directly supporting the citizens of Valleydale. The opportunity cost of shopping at Green Grove over Valleydale stores is revenue for local businesses and tax gains for the city.

There are plenty of reasons why one might choose to spend their money in one place over another: marginal costs, prices, and personal values, to name just a few. But the most important factor in this situation is incentives. People are feeling incentivized to shop at Green Grove by the convenience of other stores in the shopping center. They can get everything they need in one place and that gives them an extra reason to shop there. Valleydale is lacking that particular incentive at the moment, so we need a way to make up for that and give people a reason to shop in our town.

1. What is the author of this snippet arguing for?
 - A. Green Grove is a better shopping experience than what is available in Valleydale.
 - B. Incentives will convince more people to shop in Valleydale, which will help the town.
 - C. Green Grove has a higher unemployment rate than Valleydale.
 - D. Tax revenue doesn't make that much of a difference for small towns.

2. Which of the following is an example of evidence the author uses to support their argument?
 - A. Jobs in Valleydale are down 15% since Green Grove opened.
 - B. More people live near Green Grove than in Valleydale proper.
 - C. Unemployment is less important than overall economic activity.
 - D. Healthy economies rely on tax revenue over other sources of income.

3. Based on the context, what is opportunity cost?
 - A. How much money you spend on something.
 - B. How many workers it takes to create and sell a product.
 - C. The value that you miss out on by making one choice over another.
 - D. The reasons a decision is wrong or incorrect in a given situation.

4. Which of these points could be used to counter the author's argument?
 - A. There has been no decrease in sales tax collected by Valleydale stores since Green Grove opened.
 - B. There has been an average monthly decrease of 50 out-of-town visitors to Valleydale since Green Grove opened.
 - C. Valleydale plans to do more city events next year, so they'll need more tax revenue to pay for it.
 - D. Unemployment rates near the Green Grove shopping center have dropped significantly.

5. The author discusses incentives in the last paragraph of the snippet and will go on to suggest specifics in the rest of the article. Based on the context, which of the following makes sense as a potential incentive they would recommend?
 - A. Higher gas prices inside Valleydale.
 - B. Reserving jobs in Valleydale specifically for the residents.
 - C. Only allowing large businesses to operate inside Valleydale limits.
 - D. A Valleydale carnival event with freebies and booths from local businesses.

