

# Chapter 14

## Managing Your Money

### You Already Know...

- earning money helps you be independent
- you will have many expenses
- it is important to save money for the future
- bank accounts can help you manage your money

### You Will Learn...

- why it is important to manage your money
- how to make and follow a budget
- how to keep track of your spending
- the benefits of savings and checking accounts
- what credit is and how to use it

### Personal Career Portfolio *Preview*

For your portfolio, you will make a budget on a computer spreadsheet program. As you read, think about what you will put in your budget.





## Before You Read

**Draw From Your Own Background** Think about how you spend and save money. Explain whether you make a plan for your spending. Also explain whether you are happy with the way you spend and save your money. Is there anything you would like to do better?

## Section 14.1

# Making a Budget

### Ready, Set, Read

#### Key Terms

budget  
expenses  
savings  
fixed expenses  
flexible expenses  
prioritize

#### Main Idea

It is important to be responsible with your money. A budget helps you spend your money wisely.

#### Thought Organizer

Copy the chart below. As you read, fill in the definitions of each of the terms below. Write some examples in the right-hand column.

Key Term	Definition	Examples
expenses	things you spend money on	food
savings		
fixed expenses		
flexible expenses		

## Money Helps You Be Independent

It feels good to have your own money. Having your own money lets you be independent. Having your own money helps you live the lifestyle you choose.

What is money? Money is something you can exchange for goods and services.

## Be Responsible With Money

Money is limited. Most people want more goods and services than they can buy. That is why you need to be responsible with your money.

Earning a paycheck is the first part of your money responsibility. Knowing what to do with this money is the second part.

## Use Your Money to Reach Your Goals

Your pay may seem like a lot of money at first. Your money needs to pay for many things, however. You need to plan what you really want from your money.

Many goals cost money. Buying a car costs money. Many fun activities cost money too.

Imagine that you want to buy a car. You will need to pay for the car. You will need to pay for car insurance. You will need to pay for gas and repairs.

You will need to manage your money. You will need to watch your spending in order to save money.

### Real-World Connection



#### Does Money Buy Happiness?

We need money for food and shelter. We need money for clothing and transportation. We also need money for extras like magazines and movies. Do we need a lot of money to be happy? No. People who have a lot of money are not happier than people who do not. Even people who win the lottery are not happier than other people. Money does not solve our problems.

Most people find happiness in work and relationships, not things. Focus on finding a career you enjoy. Focus on building relationships with family and friends. Focus on feeling good about yourself no matter how much or how little money you have.

**Take the Next Step** Talk to two adults you know about the value of money. Do they think that money can make a person happy? Why or why not? Write down their responses.

For help doing this activity, go to [ewow.glencoe.com/tips](http://ewow.glencoe.com/tips) and find the *Smart Tip* for the Chapter 14 *Real-World Connection*.



## A Budget Helps You Manage Your Money

**budget** ■ A plan to manage your money to reach your goals.

A **budget** is a plan to manage your money to reach your goals. Companies have budgets. Governments have budgets. Families have budgets. You need a budget too.

A budget always covers a specific time. For example, companies make their budgets for a year. Most people make their budgets for a month.

Make a budget with three columns. In column 1, list your income and expenses. List your estimates in column 2. Write the actual figure in column 3.

**Figure 14.1** on page 337 shows the budget of Adena Williams. Adena goes to community college and works at a library 25 hours a week.

### Make and Keep a Budget in Four Steps

Making a monthly budget is not difficult. You can make and keep a budget in four steps. Making a budget will help you plan how you spend and save money.

#### While You Read

**Question** What does *estimate* mean?

### Step One Is to Estimate Your Income

Step one is to estimate your income for a month. Your income is the amount of money you will make. To *estimate* means to figure out as exactly as you can. Your income may be the same each month or it may be different each month. You need to know how much you have before you decide how much you can spend. Write your estimated income in the “estimated” column of your budget.

Income can come from many sources. You may earn wages or a salary. You may earn tips or commissions. You may receive an allowance. You may receive money from the government.

Adena Williams earns \$875 per month at the library. She receives \$35 from her parents to help with the bills. She also gets \$250 from a student loan. Her income adds up to \$1,160 a month. She writes this information at the top of her budget under “Income.”

**Figure 14.1**

## Budget With Estimated Amounts

	Estimated	Actual
<b>Income</b>		
Earnings	875	
Allowance	35	
Student Loan	250	
<i>TOTAL MONTHLY INCOME</i>	<b>1,160</b>	
<b>Expenses</b>		
Short-Term Savings	40	
Long-Term Savings	20	
<b>Fixed Expenses</b>		
Rent	350	
Car Payment	90	
School Tuition	65	
Utilities (electricity, gas, water)	25	
Groceries	130	
Phone	39	
Car insurance	125	
Health insurance	86	
<i>Total Fixed Expenses</i>	<b>910</b>	
<b>Flexible Expenses</b>		
Health care (doctor's visits, medication)	25	
Dental care (dentist's visits)	8	
Clothing	30	
Laundry	10	
Personal hygiene (haircut, makeup, etc.)	15	
School supplies (textbooks, etc.)	35	
Eating out	39	
Books and magazines	5	
Entertainment (movies, sports, etc.)	23	
<i>Total Flexible Expenses</i>	<b>190</b>	
<i>TOTAL MONTHLY EXPENSES</i>	<b>1,160</b>	

**Income Equals Expenses** In a balanced budget, expenses are the same amount as income. **What happens if your expenses are more than your income?**

**expenses** ■ Things you spend money on.

## Step Two Is to Estimate Your Expenses

Your next step is to plan how you will spend your income. Things you spend money on are **expenses**.

There are four types of expenses: short-term savings, long-term savings, fixed expenses, and flexible expenses. Write all your estimated flexible expenses in the “estimated” column of your budget.

## Short-Term Savings Is Money for Your Short-Term Goals

**savings** ■ Money you keep for the future.

Savings is an important expense. **Savings** is money you keep for the future.

Short-term savings is savings for your short-term goals. Imagine that you want to buy a certain item or service. It could be a DVD player, a vacation, or a pair of shoes. It could be an expensive haircut or a tune-up for your car. You need to save money for it. You need to save until you have enough to buy the item or service.

Adena Williams wants to buy a computer. She puts \$40 each month into short-term savings.

### While You Read

**Question** How much of your income should you try to save?

## Long-Term Savings Is Money for Your Long-Term Goals

Long-term savings is savings for your long-term goals. What are your long-term goals? Do you want to buy a house or a car? Do you want to go to college? You need to start saving now. Save a small amount from each paycheck. You will have a good amount in just a few years.

Long-term savings also help when you have expenses you did not expect. For example, your car may break down and need to be fixed. You may lose your job.

A budget is not complete without savings. Try to save at least 10 percent of your income.

Adena does not have much money right now. However, she puts a little in long-term savings. She saves \$20 each month for retirement.

## Long-Term Savings Are Important for Retirement

Long-term savings are important for another reason. This reason is retirement. *Retirement* is the time in life when you are finished with your career. Most people retire at age 65 or 70. Some people save more and retire earlier. Start saving now. You will not have to worry about money when you retire.

## Fixed Expenses Are the Same Every Month

**Fixed expenses** are basic expenses that are about the same each month. For example, you need to pay rent every month. You need to pay for *utilities* such as electricity, heat, and phone service. You need to pay for groceries. You may need to pay for health care. You need to pay for transportation. Transportation could include car payments, car insurance, parking, or bus fare.

**fixed expenses** ■ Basic expenses that are about the same each month.

## Some Fixed Expenses Come Every Few Months

Some fixed expenses come a few times a year instead of every month. For example, Adena Williams pays \$195 every three months for tuition. She divides \$195 by three to get a monthly amount, \$65. She writes this amount on her budget.

## While You Read

**Question** Do all fixed expenses come once a month?



### Fixed Expenses

Rent, utilities, and transportation are common fixed expenses. For example, a bus pass costs the same amount each month.

**What fixed expenses do you pay every month?**



## Flexible Expenses Change From Month to Month

### flexible expenses ■

Expenses that change from month to month.

Flexible expenses are another type of expenses. **Flexible expenses** are expenses that change from month to month. Clothing, movies, gifts, travel, and eating out are common flexible expenses. You might go out to eat several times in January but only once in February. You might take two trips over the summer but no trips the rest of the year.

### While You Read

**Connect** Do you ever write down what you spend?

**Keep An Expense Record** Estimate your flexible expenses by keeping an expense record. This is a chart that shows when and where you spend money.

Set up your expense record like Adena's expense record in **Figure 14.2**. Start with a piece of lined paper or graph paper. Draw lines up and down to make columns. Write the days of the week. Write the names of your expenses at the top of the other columns.

Carry your expense record in your wallet. Make a note every time you spend money. Add your totals at the end of the week.

Figure 14.2

### Weekly Expense Record

Expense Record January 1-7, 2007

Flexible Expense	Health/ Dental Care	Clothing/ Laundry	Personal Hygiene	School Supplies	Eating Out	Books/ Magazines	Entertainment	Daily Totals
Monday		\$4.50	\$12.37					\$16.87
Tuesday				\$2.99	\$4.37			\$7.36
Wednesday	\$12.00				\$6.49			\$18.49
Thursday					\$0.60			\$0.60
Friday		\$26.78				\$5.37		\$32.15
Saturday					\$12.50		\$10.00	\$22.50
Sunday							\$6.50	\$6.50
Expense Totals	\$12.00	\$31.28	\$12.37	\$2.99	\$23.96	\$5.37	\$16.50	\$104.47

**Keep Track of Your Spending** An expense record will help you figure out your spending habits. **How can you use a weekly expense record to help you plan your budget?**

**Look at Your Expenses** Your expense record tells you a lot about how you spend money. Most people learn that they spend more money than they thought they would. For example, you may realize that you spend a lot of money on clothes. You may realize that you spend a lot of money on magazines or snacks.

**Prioritize Your Expenses** You need to prioritize your spending. To **prioritize** means to decide which things are most important. You need to decide how you really want to spend your money. Can you buy fewer magazines? Can you bring your lunch instead of buying snacks?

Adena kept an expense record for one week. Her flexible expenses were \$104.47. Adena noticed that she spent a lot of money on clothing, eating out, and entertainment.

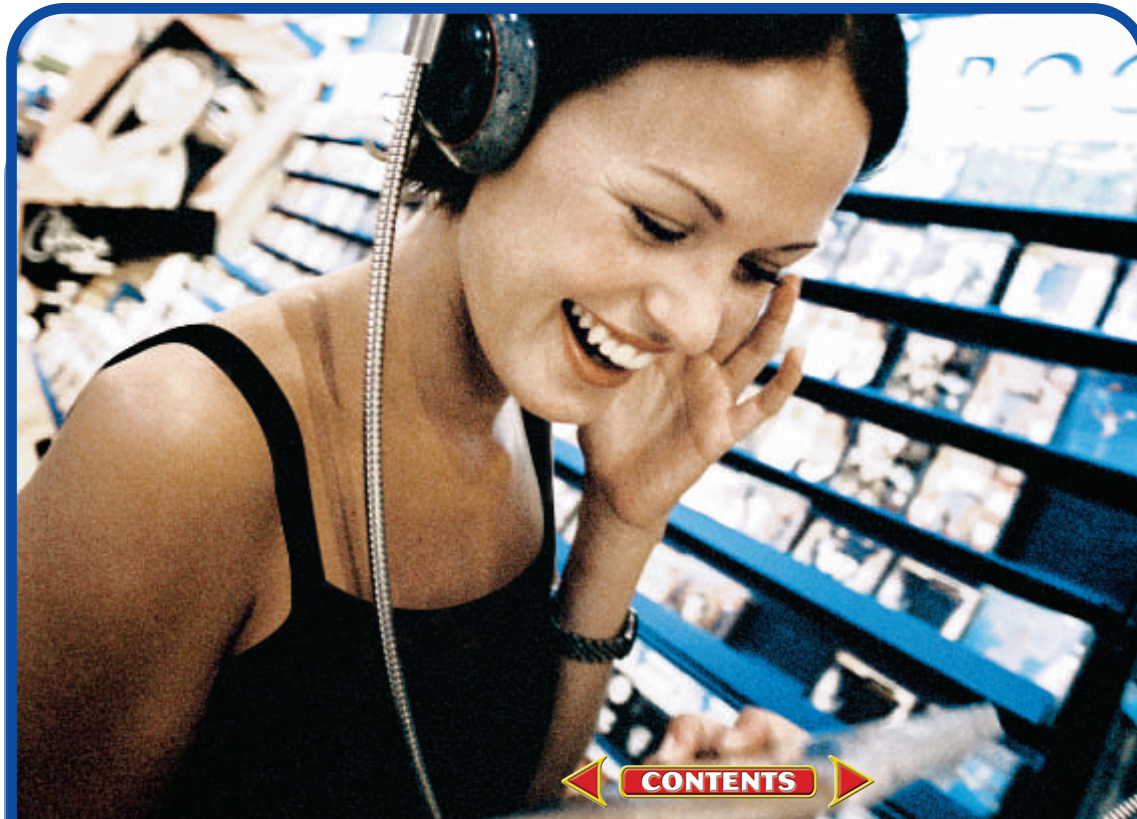
Adena prioritized. She decided that clothing, eating out, and entertainment were not very important. She decided to spend less on these things. She decided that it was more important to save money for a computer. Adena budgeted \$30 for clothing. She budgeted \$39 for eating out. She budgeted \$23 for entertainment. She wrote these numbers in the “estimated” column.

### While You Read

**Question** How much do you think your flexible expenses would be for one week?

**prioritize** ■ Decide which things are most important.

**Prioritize** A budget shows you how much money you have to spend on fun things. **Would it be hard for you to spend less money on fun things? Explain.**



## Study Tip

A budget is a plan for your money. A *schedule* is a plan for your time. On Sunday night, make a schedule for your week. Plan time for everything you need to do. Follow your schedule. Adjust it as you go.

## Step Three Is to Follow Your Budget

Now it is time to follow your budget. Keep an expense record each week. Add up your totals as you go. Make sure your spending is following your budget. Look at your budget and your expense records often. Look at your records before you spend money.

For example, imagine that Adena wants to go to the movies. Her budget gives her \$23.00 for entertainment. Her expense records show that she has spent \$20.00 on entertainment. That means she has only \$3.00 left.

Adena decides to stick to her budget. She decides to do something that costs less money than going to a movie. She and a friend rent a DVD. Renting a DVD is cheaper than buying a movie ticket but still fun.

Keep track of all your expenses for the month. At the end of the month, write each amount on your budget sheet. Write the amounts you spent in the “Actual” column. Look how Adena did this in **Figure 14.3** on the next page.

## Step Four Is to Adjust Your Budget

Follow your budget for a month. Then adjust your budget if it needs changing. To *adjust* means to make small changes.

Why would you need to adjust your budget? You may have less income than you thought. You may work fewer hours than you planned. You may have more expenses than you thought. For example, you may need to spend more on school supplies. You will need to adjust the amount of money you set aside for them.

Adena earned less this month than she thought she would. She also saved less than she wanted. She decides to adjust her budget to make it more realistic.

## While You Read

**Connect** Are you good at following a plan?

**Stick to Your New Budget** Try your new budget for a month. Then look at your budget again. Is your new budget working? Are you happy with your spending habits? Do your estimates seem accurate? Can you improve your budget even more? Adjust your budget when you need to.

**Figure 14.3**

## Budget With Estimated and Actual Amounts

	Estimated	Actual
<b>Income</b>		
Earnings	875	855
Allowance	35	35
Student Loan	250	250
<i>TOTAL MONTHLY INCOME</i>	1,160	1,140
<b>Expenses</b>		
Short-Term Savings	40	20
Long-Term Savings	20	20
<b>Fixed Expenses</b>		
Rent	350	350
Car Payment	90	90
School Tuition	65	65
Utilities (electricity, gas, water)	25	23
Groceries	130	147
Phone	39	39
Car insurance	125	125
Health insurance	86	86
<i>Total Fixed Expenses</i>	910	925
<b>Flexible Expenses</b>		
Health care (doctor's visits, medication)	25	25
Dental care (dentist's visits)	8	8
Clothing	30	14
Laundry	10	8
Personal hygiene (haircut, makeup, etc.)	15	12
School supplies (textbooks, etc.)	35	37
Eating out	39	43
Books and magazines	5	7
Entertainment (movies, sports, etc.)	23	21
<i>Total Flexible Expenses</i>	190	175
<i>TOTAL MONTHLY EXPENSES</i>	1,160	1,140

**Follow Your Budget** Work hard to follow your budget. Check your budget and your expense records before you spend money. **In what areas is Adena over budget?**

## Section 14.1

### Review

Check your answers online by visiting [ewow.glencoe.com/review](http://ewow.glencoe.com/review) and selecting the Section 14.1 Review.

### Math Practice

Answer the multiple-choice math questions at [ewow.glencoe.com/math](http://ewow.glencoe.com/math).

### After You Read

#### Retell

1. Explain how money helps you reach your goals.
2. What is the difference between short-term savings and long-term savings? Give specific examples.

#### Think Critically

3. Why might your actual expenses be different from your estimated expenses? Write down as many reasons as you can.

### Fixed and Flexible Expenses

Your monthly net pay is \$1,200. You spend 37% on rent, 15% on your car payment and 25% on utilities and groceries. How much money do you have remaining each month?

#### Step 1

Multiply your net pay by each of the fixed budget categories.

$$\begin{aligned} \$1,200 \times 0.37 &= \$444; \$1,200 \times 0.15 = \$180; \\ \text{and } \$1,200 \times 0.25 &= \$300 \end{aligned}$$

#### Step 2

Add the dollar amount for each fixed expense.

$$\$444 + \$180 + \$300 = \$924$$

#### Step 3

Subtract the fixed expense total from your net pay.

$$\$1200 - \$924 = \$276$$

#### Result

You have \$276 remaining each month.

### Figure It Out

Your monthly net earnings are \$2,350. Your fixed expenses total 50% of your budget. Your flexible expenses total 17%. How much cash do you have left over each month?



## Section 14.2

# Understanding Banking and Credit

### Ready, Set, Read

#### Key Terms

balance  
savings account  
deposit  
withdrawal  
checking account  
check  
check register  
account statement  
credit  
credit card  
debt  
debit card

#### Main Idea

Bank accounts help you keep your money safe and pay for things you need. Credit has advantages and disadvantages.

#### Thought Organizer

Copy the chart below. As you read, decide whether you want each of the four money tools in the chart. Write a sentence explaining why.

Money Tool	Right for You? Explain Why.
checking account	I need to pay bills each month
savings account	
credit card	
debit card	

## A Bank Account Keeps Your Money Safe

A bank account is a place where people put their money so it is safe until they need it. A bank account keeps your money from being lost or stolen.

## Choose the Bank That Is Best for You

You can open an account at a bank or credit union. A *credit union* is a bank for people who are part of the same organization. For example, some credit unions are for workers at a certain company.

Choose a bank that offers what you want. Visit the Web sites of several banks. Research what kinds of services the bank offers. For example, many banks offer advice on money matters.

**balance** ■ The amount of money in your bank account.

**Learn About Fees, Locations, and Hours** Some banks charge fees (money) for their services. Fees are sometimes called service charges. Service charges may depend on your balance. Your **balance** is the amount of money in your bank account.

Find out about locations and hours. Where does your bank have locations, also called branches? It is helpful to have a bank branch near home or work. Find out about the bank's hours. The bank should have hours that fit well with your schedule.

### While You Read

**Connect** Have you ever saved money for a goal?

**savings account** ■ A bank account where you keep money for the future.

**deposit** ■ Money you put into your account.

**withdrawal** ■ Money that you take from your account.

## A Savings Account Helps You Manage Your Money

The simplest bank account is the savings account. A **savings account** is a bank account where you keep money for the future. Savings accounts earn *interest*. Your bank pays you interest in exchange for using your money. Interest makes your savings grow.

There are several types of savings accounts. Choose a savings account that fits your goals. Find out how much interest you will receive.

Find out what fees you will have to pay. Some accounts charge a fee if your balance falls below a certain amount. Some accounts charge a fee for each deposit and withdrawal. A **deposit** is money you put into your account. A **withdrawal** is money that you take from your account.

### Comparison Shop

Shop around for a bank. Make sure your bank has the services you want.

Why do you think some banks charge higher fees than others?



## Point of View



### The Habit of Saving Money

Camel Hunt works as a salon assistant at a day spa. Every week Camel divides up her take-home pay and puts it into three different bank accounts.

Camel has a checking account to pay bills and buy things. Camel also has two savings accounts. “I have a long-term savings account to save for my future. I don’t take money out of that account.” Camel also has a short-term savings account. “I’m saving for a car,” she says. “I’ll take money out of that account when I have enough saved.”

Every week when she gets paid, Camel puts money into each of her accounts. This way she will meet both her short-term and her long-term goals.

**It’s Your Turn** Take a field trip to a local bank. Ask the banker to talk to the class about how to open and use checking and savings accounts. After your field trip, write a thank-you note to the banker.

For help completing this activity, visit [ewow.glencoe.com/tips](http://ewow.glencoe.com/tips) and go to the *Smart Tip* for the Chapter 14 *Point of View*.

## A Checking Account Lets You Write Checks

The other type of bank account is the checking account. A **checking account** is a bank account that lets you write checks. A **check** is a piece of paper you use to tell your bank to pay money to someone else. Your name, address, and account number are printed on your checks.

Checks come in booklets. At the back of the booklets are deposit slips. A *deposit slip* is a form you fill out when you deposit money in your account. You can also get deposit slips at the bank.

**checking account** ■ A bank account that lets you write checks.

**check** ■ A piece of paper you use to tell your bank to pay money to someone else.





Figure 14.4

## Personal Check

Irma Lopez  
325-A Correa Road  
Plano, TX 75025

51-160  
111 **101**

PAY TO THE  
ORDER OF City Market \$ **85.36**

Eighty-five and 36/100 DOLLARS

MEMO groceries

⑆073000073:30 00003⑆ 00003 Irma Lopez

**Be Safe** Always fill out every part of a check before you sign it. A signed check is worth money. **Why is it unsafe to send cash through the mail?**

**Use Checks for Bills and Purchases** You can pay your bills with checks. Paying bills by check is safer than sending cash through the mail.

You can also buy things at many stores with checks. For example, most supermarkets accept checks. **Figure 14.4** shows a check that Irma Lopez used to pay for groceries.

### While You Read

**Visualize** When was the last time you saw someone write a check to pay for something at a store?

### Write a Personal Check Step by Step

Write your checks neatly and in pen. Start with the date. Write the date in the top right corner.

Now find the line that reads, “pay to the order of.” Write the name of the person you need to pay.

Write the amount in numbers in the box with the dollar sign. Write out the full decimal amount. For example, write ten dollars as “10.00” rather than “10.”

Write the amount in words on the second long line. Write the cent amount as a fraction. For example, Irma Lopez wrote \$85.36 as “eighty-five and 36/100.”

Now sign the check at the bottom right. You can also add a note at the bottom left. That helps you remember what the check is for. Irma Lopez wrote “groceries.”

## Record Your Checks in Your Check Register

A **check register** is a record of your checking account. Fill out your check register when you deposit money or write a check.

Look at Irma Lopez's register in **Figure 14.5**. She opened her account on April 25 with \$300. On April 27 she bought groceries. She entered the check number in the "number" column. She wrote 4/27 in the "date" column. She wrote "City Market" in the "description" column.

Next, Irma wrote \$85.36 in the "payment" column. She subtracted \$85.36 from \$300. She wrote her new balance, \$214.64. On April 29 Irma deposited \$50. She added this to her balance. She then had \$264.64.

**check register** ■ A record of your checking account.

**Do Not Overdraw Your Account** You should always know how much money you have in your account. That keeps you from overdrawing your account. To *overdraw* your account means to write more checks than you have money for. You have to pay large fees when you overdraw your account.

When you write a check that you cannot pay, the check is returned to the bank. This is called *bouncing a check*. You must pay large fees when you bounce a check.

### While You Read

**Question** What is a bounced check?

**Figure 14.5**

### Check Register

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT/DEBIT	√ T (-)	FEE (IF ANY)	DEPOSIT/DEBIT	BALANCE
	4/25						\$300.00
101	4/27	City Market	\$85.36				85.36
		Groceries					214.64
	4/29	Deposit				\$50.00	50.00
		Gift from Aunt Frida					264.64

**Stay Organized** Use your check register to keep track of your checks and deposits. **Why is it important to know how much money you have in your account?**

## Study Tip

Use file folders to organize papers you want to keep. On the folder tab, write what is in the folder. File papers as soon as you get them. You will always know where to find what you need. This can save you time.

**account statement** ■ A record of your account.

## An Account Statement Shows the Activity in Your Account

An **account statement** is a record of your account. The statement shows each amount you have put into your account. The statement also shows each amount you have taken out. **Figure 14.6** shows an example of an account statement for a checking account.

You will get an account statement for your account every month. Most banks also let you look at your account statement on the Internet. This makes it easy to check your account at any time.

## While You Read

**Question** How do you balance a checkbook?

**Use Your Account Statement to Balance Your Checkbook** It is important to know exactly how much money you have. That is why you need to balance your checkbook every month.

Balancing your checkbook means checking all your records. Compare the account statement with your check register. Fix any mistakes in your records. Look for any mistakes in the bank records. Tell the bank about any mistakes you find.

Figure 14.6

## Account Statement

Southwestern People's Bank			
Irma Lopez 325-A Correa Road Plano, TX 75025		Statement Date: May 15, 2008	
Opening Balance:	\$300.00		
Ending Balance:	\$423.95		
Account #: 006117-7			
Date	Description	Debit (-)	Credit (+)
4/25	Deposit		\$300.00
4/27	Check # 000101	\$85.36	
4/29	Deposit		\$50.00
5/2	ATM withdrawal	\$40.00	
5/2	Electric Co. bill payment	\$47.65	

**Keep Good Records** Keep your account statements together in a place that is easy for you to remember. **Why do you think is it a good idea to save your account statements?**

### Endorse Your

**Checks** You need to endorse a check before you can deposit it or cash it. Sign your name the way it is written on the front of the check. **What should you do if you lose a check that someone has given you?**



## Visit Your Bank to Open an Account

Are you ready to open an account? Visit your local bank branch. A clerk will help you open an account. You can ask the clerk for advice about which account is best for you. Say how much money you plan to keep in your account. Say how many checks you think you will write each month.

You will fill out paperwork for the account. You will need to give your name, address, phone number, and Social Security number. The clerk will also ask you to sign a signature card. A signature card is an official record of your signature.

**Deposit Money to Open Your Account** You need to deposit money to open your bank account. This money will be your opening balance.

You can deposit cash or a check, such as a paycheck. You need to endorse each check before you deposit it. To *endorse* a check means to sign it on the back. Sign your name the same way it appears on the front.

### While You Read

**Connect** Have you ever endorsed a check?

**credit** ■ Money you can use now and pay back later.

**credit card** ■ A small plastic card that you can use to buy things on credit.

## Credit Lets You Buy Now and Pay Later

**Credit** is money you can use now and pay back later. Credit lets you buy things now and pay for them later.

Loans are one form of credit. There are loans for many purposes. You might need a student loan. You might need a car loan. You might need a home loan.

Credit cards are another form of credit. A **credit card** is a small plastic card that you can use to buy things on credit. Every month you get a bill for the things you bought. If you do not pay the whole bill, you owe more the next month.

## Credit Cards Have Advantages

Credit cards are useful. You do not need to carry a lot of cash if you have a credit card. You can make several purchases and pay for them all at once. You can also use credit cards for emergencies.

Having a credit card is one way to build a good credit history. Pay your credit card bill on time each month. You will be able to get a loan when you need it.

### While You Read

**Connect** Have you ever spent too much money and then regretted it?

**debt** ■ Owing someone money.

## Credit Cards Have Disadvantages

Credit cards can cause problems. Credit cards can cost money. Some credit card companies charge a yearly fee, or annual fee, to use a credit card.

Credit cards make it easy to spend too much. If you spend too much, you will not be able to pay your credit card bill. Then you will be in debt. **Debt** means owing someone money. You will owe money to the company that makes your credit card. You will owe the amount you borrowed plus interest.

**Interest Makes Your Debt Grow** Here is an example to show how interest works. Imagine that you buy new furniture for \$1,000. You pay for it on your credit card. This is like taking a loan for \$1,000. Imagine that you pay 18 percent yearly interest. If you pay \$20 a month, it will take you more than seven years to pay for the furniture. Along the way you will also pay over \$800 in interest.

## Debit Cards Are Similar to Credit Cards

You may get a debit card with your checking account. A **debit card** is a card that takes money directly from your checking account. It is good for making everyday purchases. You can also use debit cards at ATM machines. An ATM machine is a cash machine. Do not spend more with a debit card than you have in your account. You will overdraw your account.

**debit card** ■ A card that takes money directly from your checking account.

## Shop Around for a Credit Card

Make sure you understand all the terms of a credit card before you use it. What is the credit limit? What is the APR? The APR is the interest rate. *APR* stands for Annual Percentage Rate. You will pay a lot of interest if your card has a high APR.

Use your credit card wisely. Pay your bill on time. This will help you build a good credit history.

## Making Good Choices

### Being Careful With Credit Offers

Lien Lu wanted to buy a computer. He saw an ad that promised “no payments for a year.” Lien talked to his dad about buying the computer. Mr. Lu asked Lien what the interest rate would be once the payments started. Mr. Lu also asked if the computer was sold for the same price in other stores. Lien did not know the answers to these questions. Mr. Lu suggested that Lien research prices and save up the money to buy the computer instead of buying it on credit.

**You Make the Call** Do you think Lien should buy the computer on credit? Or should he wait until he has saved enough money?

For help in answering this question, visit [ewow.glencoe.com/tips](http://ewow.glencoe.com/tips) and find the *Smart Tip* for Chapter 14 *Making Good Choices*.

## Section 14.2

### Review

Check your answers online by visiting [ewow.glencoe.com/review](http://ewow.glencoe.com/review) and selecting the Section 14.2 Review.

### After You Read

#### Retell

1. Explain why you might open a bank account. Use your own words.
2. Explain the difference between a credit card and a debit card.

#### Think Critically

3. Why is it a good idea to know how much money you have in your checking account? Think of as many reasons as you can.

### Math Practice

Answer the multiple-choice math questions at [ewow.glencoe.com/math](http://ewow.glencoe.com/math).

### Balancing Your Savings

At the beginning of the month you have \$345 in your savings account. You make three deposits in the amounts of \$45, \$40, and \$32. You make two withdrawals in the amounts of \$200 and \$135. What is your balance at the end of the month?

#### Step 1

Add all the deposits you made during the month to the beginning balance.

$$\$45 + \$40 + \$32 + \$345 = \$462$$

#### Step 2

Add all the withdrawals you made during the month.

$$\$200 + \$135 = \$335$$

#### Step 3

Subtract the total withdrawals from the balance.

$$\$462 - \$335 = \$127$$

#### Result

Your balance is \$127.

### Figure It Out

Your checking account shows a balance of \$560.00 at the beginning of the month. You make two deposits in the amounts of \$115 and \$225. You write seven checks for a total of \$656.23. What is your balance?



**Senior Vice President  
and General Manager of  
Lee Hecht Harrison**

**John Bateman-Ferry**  
New York



**Career Cluster: Marketing, Sales, and Service**

## What does your company do?

“We help people with career management and career transitions. My job is the marketing and sales of our services to the community. I also am the manager of a staff of 15.”

## Why did you choose a career in marketing and sales?

“Most of my life I prepared to be a New York City firefighter like my dad. A car accident left me paralyzed from the waist down. One day I was walking and knew what I wanted. The next day I was disabled. I never want anybody to have that feeling of not knowing what’s next. People feel like that after losing their job. I can help them.”

## What obstacles have you overcome?

“I have to work harder to get people to accept that I can do the work. Sitting in a wheelchair has nothing to do with how well I perform on the job.”

## What advice do you have for students?

“Have a plan. Know where resources and advocates are in case you need them. Believe in yourself.”



**Senior Vice President  
and General Manager of  
Lee Hecht Harrison**

## Training

College graduates with related experience, a high level of creativity, and strong communication skills should have good job opportunities in this area.

## Skills and Talents

Listening and communication skills are needed in sales and marketing. English and math skills are also needed.

## Career Outlook

Employment of marketing and sales managers is expected to grow faster than average through 2012.

## Learn More About It

Sales and marketing careers can take you anywhere in the world. Think about a place in the world where you would like to work. Think about what product or service you would like to market. Write a one-page essay about the job and the country you have chosen.

For help with this activity, visit [ewow.glencoe.com/tips](http://ewow.glencoe.com/tips).





# Chapter 14 Review and Activities



Go to [ewow.glencoe.com](http://ewow.glencoe.com) to find online games and activities for Chapter 14.

## Key Term Review

budget (p. 336)	checking account (p. 347)
expenses (p. 338)	check (p. 347)
savings (p. 338)	check register (p. 349)
fixed expenses (p. 339)	account statement (p. 350)
flexible expenses (p. 340)	credit (p. 352)
prioritize (p. 341)	credit card (p. 352)
balance (p. 346)	debt (p. 352)
savings account (p. 346)	debit card (p. 353)
deposit (p. 346)	
withdrawal (p. 346)	

## Check Your Understanding

1. Explain why it is important to manage your money.
2. List the four steps to make and follow a budget.
3. Describe a tool you can use to keep track of your spending.
4. Describe the benefits of savings and checking accounts.
5. Explain what credit is and how to use it wisely.

## Write About It

6. **Describe Your Goals** On page 335 you read this sentence: “Many goals cost money.” Write a paragraph describing your goals. Talk about your short-term goals and your long-term goals. List all your goals that will require money. Then list all your goals that will not require money.



## Role Play

- 7. Play a Financial Planner** Work with a partner. One student plays a financial planner. A financial planner is a worker who helps people use their money wisely. As the financial planner, ask your “client” about his or her long-term goals. Pick the goal that will cost the most money. Help the client plan how he or she will achieve this goal.

## Teamwork Challenge

- 8. Research Banks** Find a local bank or credit union. Research the types of accounts they offer. Make a chart describing the plusses and minuses of each type of account. Include information on opening balance, minimum balance, and fees.

### Computer Lab



**Make an Expense Record** Use a spreadsheet or budgeting program to make an expense record for one week. Use the headings shown in **Figure 14.2** on page 340. Enter all your numbers for the week. Use formulas to add up your totals. Then graph your spending. Show how much you spent on each type of expense.

### Personal Career Portfolio

**Make a Budget** Use **Figure 14.3** on page 343 to design a budget. Use a spreadsheet program or word-processing program if you can. Estimate all your income and expenses. Put your budget in your Personal Career Portfolio. Make a copy of your budget and keep it with you. Follow your budget for one month.

Go to [ewow.glencoe.com/portfolio](http://ewow.glencoe.com/portfolio) for help.

