**Unit 5 Personal Finance Study Guide**

1. **What are the costs and benefits of post-high school life choices (I.e. College, tech school, military, workforce) Making the decision about whether going to a private school is worth the cost compared to your career**
2. **What are the different parts of a budget? (know fixed and variable costs) Fixed- house and car payment**

**Variable – entertainment, food, taxes**

1. **How much should you save each month and who should you pay first? 20% and pay yourself first so you save money**
2. **Compare the services offered by banks, credit unions, payday lenders, and title pawn lenders. Credit unions and banks offer checking, savings, loans, debit and credit cards, atm**

**Credit Unions – have to be a member, offer better interest rates**

**Banks – more of them**

**Payday lenders – waiting for your next payday and need a loan until you get paid, high interest rate**

**Title Pawn Lenders - Give title for your car to get a loan, it’s quicker and easier to get, pay a lot of fees**

1. **Why does a bank offer different amounts for interest charged and interest earned.**

**They are going to charge more interest on a loan than they are going to pay you because they want to make more money**

1. **What are the risk and returns of the following:**
   1. **Savings Accounts – low risk, low reward, safe there, easily access,**
   2. **Certificates of deposit – Low risk , low return, have to do it for a certain amount of time and if you take it out early you pay fees and taxes**
   3. **Retirement accounts – 401k and IRA’s, can either be high risk high return or low risk low return**
   4. **Stocks- high risk high return**
   5. **Bonds- give money to gov’t , low risk low return, leave it there for a certain period of time**
   6. **Mutual Funds – high risk, high returns, groups of stocks**
2. **Define and give examples of the following:** 
   1. **Progressive Taxes – as income goes up, taxes go up, Federal Income Tax**
   2. **Regressive Taxes- hurts people with lower income, sales tax**
   3. **Proportional taxes- same for everyone, social security**
3. **How does an increase in sales tax affects different income groups ? ( high & low income) It hurts low income families and is better for high income people**
4. **How does property tax impact individual and communities? If you live in a more desirable area you will pay more taxes**
5. **What factors impact your credit worthiness? Paying bills on time, length of credit history, no more than 5 % of credit**
6. **How are interest rates impacted by credit worthiness? The higher the credit score the lower your interest rate**

**Why does this matter ?**

1. **Be able to compare interest rates on loans and credit cards to determine the best options.**

**Look for low APR, no annual fee, low interest rate**

1. **What is Annual percentage rate (APR)? How much interest you are going to pay on a credit card**
2. **What is the difference between simple and compound interest rates? Simple – a flat interest rate**

**Compound – you earn interest on interest**

1. **What is the difference between fixed and variable interest rates? Fixed – it will always stay the same**

**Variable – rate can change**

1. **Be familiar with the following types of insurance** 
   1. **Auto – pays for accidents in your automobile**
   2. **Health – pays dr. and hospital bills**
   3. **Life – pays a certaing amount of money if someone dies**
   4. **Disability – pays you if you have to be out of work**
   5. **Property – tax on your house or property**
2. **What are the costs and benefits associated with the different types of insurance? (i.e. deductibles, premiums, shared liability and asset protection)**
   1. **Premium – cost to the consumer (monthly payments)**
   2. **Deductibles – amount insured must pay when filing a claim**
   3. **Higher the premium, lower the deductible. Lower the premium, higher the deductible**
   4. **Shared liability – both parties have risks**
3. **What skills do you need to be successful in the workplace? Punctuality, good communication, work ethic**
4. **What is the significance of investment in education, training and skill development it as it relates to your future earnings? Provide you more money in the future**

**In addition to the study guide, make sure that you review all notes, classwork, LTA and videos on the blog for more review.**

**As always, email or send a remind message if you have any questions.**