



Personal Financial Literacy
Independent Practice

For questions 1 – 4 below, identify the financially responsible behavior being demonstrated in the situation.

Financially Responsible Behaviors

<p>Pay yourself first. As soon as you receive your paycheck, immediately deposit a certain amount for savings, using automatic transfers when possible.</p>	<p>Pay your bills on time. Paying bills on time helps avoid late fees and improves your credit score, which helps you qualify for lower interest rates on future loans.</p>
<p>Live within your means. Use a budget to monitor income and expenses. When expenses begin to exceed income, look for ways to balance your budget.</p>	<p>Pay off credit cards each month. Most credit cards only charge interest on unpaid balances. Paying off the balance each month helps avoid interest charges.</p>
<p>Save early and often. Begin saving for long-term goals, such as retirement, as early as possible, so that interest can compound as long as possible.</p>	<p>Keep track of your spending. Knowing how much money is in your bank account helps you avoid overdrafts and overdraft fees.</p>

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| <p>1. Marcus monitors his credit card charges online so that he knows the total charges will not exceed what he has budgeted each month for credit card purchases.</p> | <p>3. Jonathan set up an automatic transfer so that \$75 of each paycheck is automatically deposited into his savings account.</p> |
| <p>2. Amelia began a new job and set up an automatic deposit from her paycheck directly into her retirement account.</p> | <p>4. Brianna records each transaction in her check register so that she does not accidentally use her debit card for a transaction greater than the amount of money she has.</p> |



For questions 5 – 8 below, determine both the amount of simple or compound interest and the ending amount of money for each situation.

Simple Interest: $I = Prt$

Compound Interest (compounded annually): $A = P(1 + r)^t$

Compound Interest (compounded n times per year): $A = P\left(1 + \frac{r}{n}\right)^{nt}$

5. \$2,350 earns 5.5% annual simple interest for 6 years.

7. \$2,100 earns compound interest at an annual rate of 7.25%, compounded monthly, for 5 years.

6. \$1,950 earns compound interest at an annual rate of 8.5%, compounded annually, for 5 years.

8. \$5000 earns 5.65% annual simple interest for 8 years.



For questions 9 – 12 below, solve the problems indicated.

9. Alexis deposited \$1,750 into a certificate of deposit that earns 4.85% annual simple interest for 5 years. How much interest will Alexis earn?

11. Joseph deposited \$1,800 into an account that earns compound interest at an annual rate of 6% interest, compounded quarterly. If he leaves the money in the account for 5 years, how much money will Joseph have in the account?

10. Cameron borrowed \$4,500 from his grandmother at 5.25% annual simple interest for 4 years. How much money will Cameron save if he pays the loan off in 2 years instead of 4 years?

12. Sydney wants to deposit \$4,000 into an interest-bearing account. One option has an annual interest rate of 6.5%, compounded quarterly. The other option has an annual interest rate of 5.75%, compounded monthly. Which account will generate more interest at the end of 3 years?



Use the situation below to answer questions 13 – 16.

Olivia is planning to attend Shelby County College after high school. One year of tuition, fees, room and board, and other living expenses will cost about \$16,400.

13. While at Shelby County College, Olivia wants to earn a 2-year associates degree. If she borrowed the full cost of 2 years of study at Shelby County College, her student loan interest rate would be 3.85% and she would pay the loans back over 10 years. Her monthly payment would be \$329.75. How much money would Olivia pay back in all?

14. Olivia wants to save money for college. She knows that she can open the account with \$100 and then save \$100 each month for the next 5 years. Her mother helped her find a bank with an account that has 8.5% annual interest, compounded monthly. Use an online savings calculator to determine how much money Olivia will have in her account at the end of 5 years.

15. Olivia decides to use her college savings to pay as much of her college fees as she can and then use student loans to pay for the rest. With this plan, she will have a student loan interest rate of 3.85% and she would pay the loans back over 10 years. Her monthly payment would be \$253.38. How much money would Olivia pay back in all?

16. By using personal savings along with student loans, how much money did Olivia save when compared to using student loans to pay for all of her education?



Use what you know about compound interest, along with an online loan calculator, to answer questions 17 – 20.

Margaret and Bonnie each have \$5,000 in credit card debt. Margaret’s credit card has an annual interest rate of 12.5%. Bonnie’s credit card has an annual interest rate of 18.9%. Use this information to complete the table below. Assume that Margaret and Bonnie each only pay the minimum monthly payment and they do not make additional charges to their credit cards.

	Margaret	Bonnie
17. Length to Pay Loan		
18. Total Cost of Loan (amount of debt plus interest)		

Ronaldo and Huy each have \$6,000 in credit card debt on credit cards with an 18.5% annual interest rate. Ronaldo plans to pay \$150 each month and Huy plans to pay \$200 each month until the cards are paid off. Use this information to complete the table below. Assume that Ronaldo and Huy do not make additional charges to their credit cards.

	Ronaldo	Huy
19. Length to Pay Loan		
20. Total Cost of Loan (amount of debt plus interest)		

