

# Intro to Financial Literacy

# My Values, My Goals, My Future

## Learning Targets

- Identify and reflect on personal values that may affect financial choices
- Use personal values to set financial SMART goals

# This class is about dreams and how you can help them become a reality

What challenges might prevent us from realizing our dreams?

- Physical Inability
- Lack of Time
- Fear of Failure or Success
- Indecision
- Social Pressure
- Lack of Money

What are some things we can do to help us realize our dreams?

- Recognize your values
- Set SMART Goals
- Make wise decisions with your Resources (time, money, energy, etc)

# Recognizing Values

The first step to realizing our dreams is recognizing our **Values** or the things we view as important in our lives.

## What are your values?

# Reflection

- What are your most important values and why are those important to you?
- Are you spending your resources (time, money, energy) on those values?
- If not, why not? If so, how has that influenced your values? Have they changed or become stronger?

# Defining Finances?

- **Finances**- The way money is obtained and used by a person/business
- Financial Literacy is the knowledge of how to effectively use your finances
- The goal is to build personal financial **wealth** which will allow you to achieve your own financial dreams.

# What is wealth and how is it measured?

**Wealth** - measurement of how well a person is doing financially

**Net worth** - describes a person's overall financial wealth after all debts have been paid

$$\text{Assets} - \text{Liabilities} = \text{Net Worth (wealth)}$$

**Wealth is not the same as being Rich. Anyone can be wealthy so long as they are managing their finances wisely.**

# What is an Asset?

**Assets**- everything an individual owns with monetary (money) value

## Examples of Assets

Cash

Electronics

Houses

Clothing

Automobiles

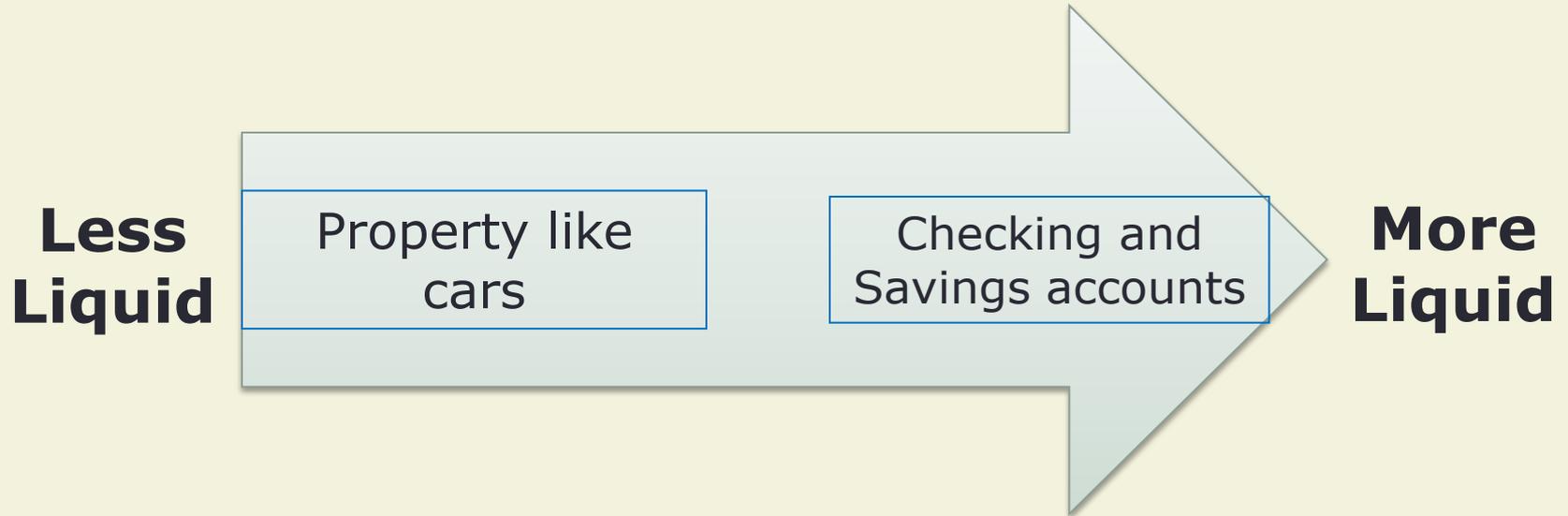
Savings Accounts

Furniture

**Liabilities**- Things a person is responsible for paying or taking care of (bills and expenses)

# What is Liquidity?

**Liquidity**- how quickly and easily an asset can be converted to cash



# Economics

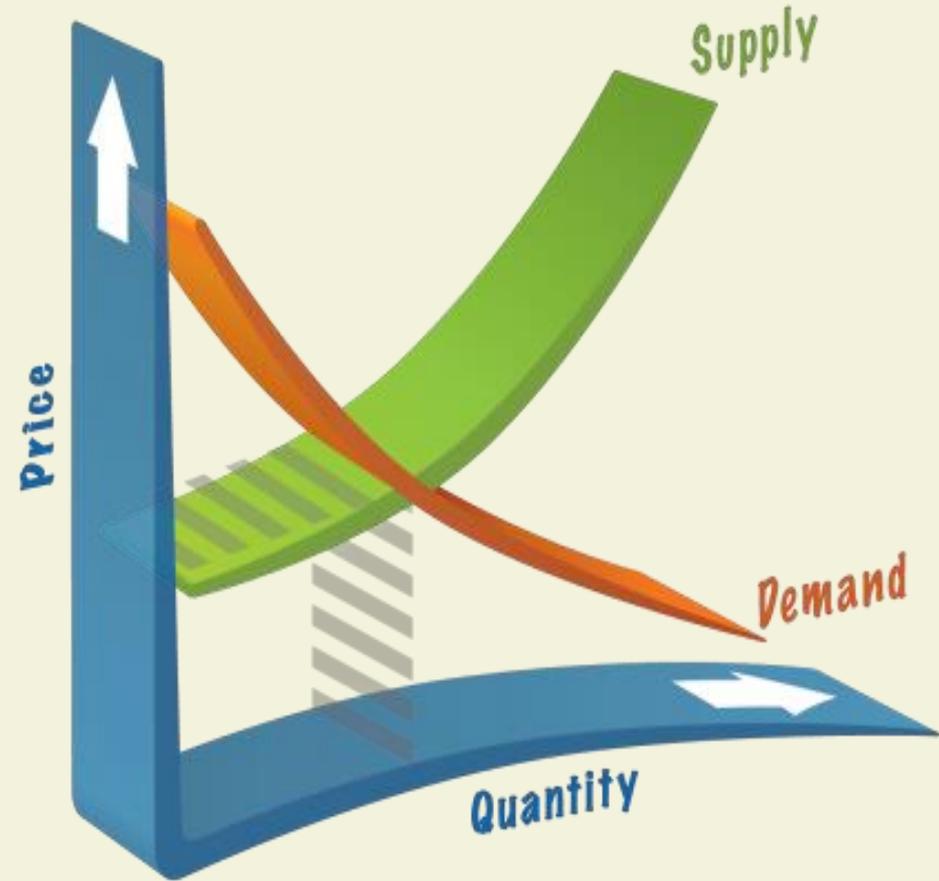
The study of the production, consumption, and transfer of wealth

- **Micro Economics**: Concerned with the economic conditions and factors of individuals (buyers, sellers, etc)
- **Macro Economics**: Concerned with the economic conditions and factors of societies (Nations, States, etc)



# Why can't we all be rich?

- The value of an item is dependent on its **supply** vs. its **demand**.
- Because the demand for money has no limit the supply of money in existence will never be enough for everyone to get all that they want.



**How much money is too much money?**

# Scarcity

“Scarcity is an economic principle stating that because of limited resources, an economic system cannot possibly produce all the goods and services that people want; therefore, choices must be made about how the limited resources will be used.”

*-Consumer Economics & Education*

# Opportunity Cost

- Refers to what a person gives up when a decision is made. Every decision you make has an **Opportunity Cost**
- This cost, often called a trade-off, may involve one or more of your scarce resources:
  - Time
  - Money
  - Energy/Effort





# What influences our values and financial decisions



# Types of Influences

- **Cultural**

- The way you are raised, geographic location, ease of access to goods/services

- **Emotional**

- **Retail Therapy**- using shopping to feel better
- **Binge Spending**- spending all you can because you have \$
- **Buyer's Remorse**- regret after purchasing something
- **Impulse Buying**- Spending without forethought because it seems like a good idea at the time

- **Social**

- Peer pressure, fads, marketing, advertising

# Peer Pressure

The influence others have on an individual's personal decisions.

## Forms of Peer Pressure as it Relates to Purchasing Decisions

### Friends and Family

- Can have a negative or positive influence

### The Media

- Commercials
- Web Ads
- TV and Sports Personalities
- News

### Direct Mail/Email

Fads/Trends- do you really need to spend \$30 on leggings?



# Marketing Strategies

- Because of limited financial resources, businesses utilize different **Marketing Strategies** to lure people in.

- Clearance Sales
- Holiday Sales
- Coupons
- Rebates
- Sweepstakes/Contests
- Convincing Sales People
- Attractive Décor and Background Music
- Items purchased most often are in back of store (bread/milk)
- Most profitable items are given prominent positions

# Thinking Critically

- In what ways is this ad trying to influence me? How is it trying to reach my emotions?
- Am I being given all of the facts? What does the advertisement NOT tell me about the product?
- What does the fine print say?
- Does this advertisement sound too good to be true?
- Where are ads found?



# So how do we know which financial decisions are best for us?

- It is imperative that we determine our

**Needs Vs. Wants**

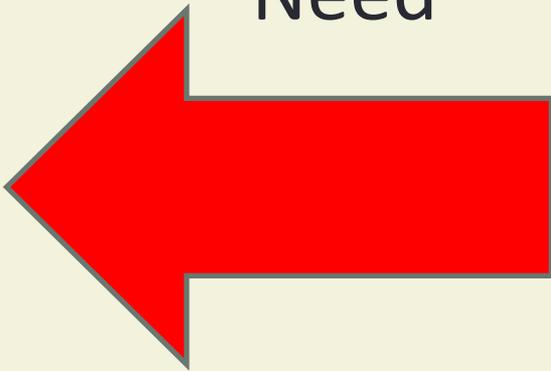
Goods or services required for survival

The desire for goods and services that increase our quality of life but are not necessary for survival

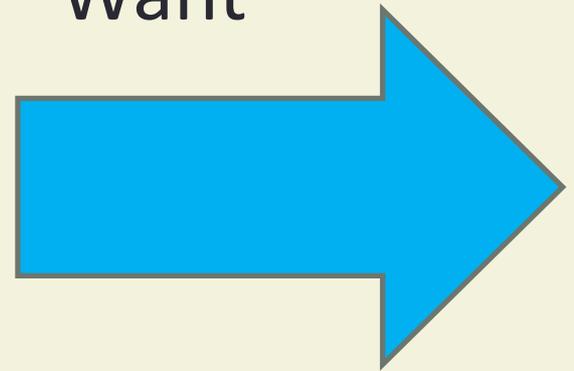
# Perception of a person's needs vs. their wants is dependent on a person's values

What are your needs and wants?

Need



Want



Move towards the arrow indicating whether you feel each item is a need or want

# Decision Making

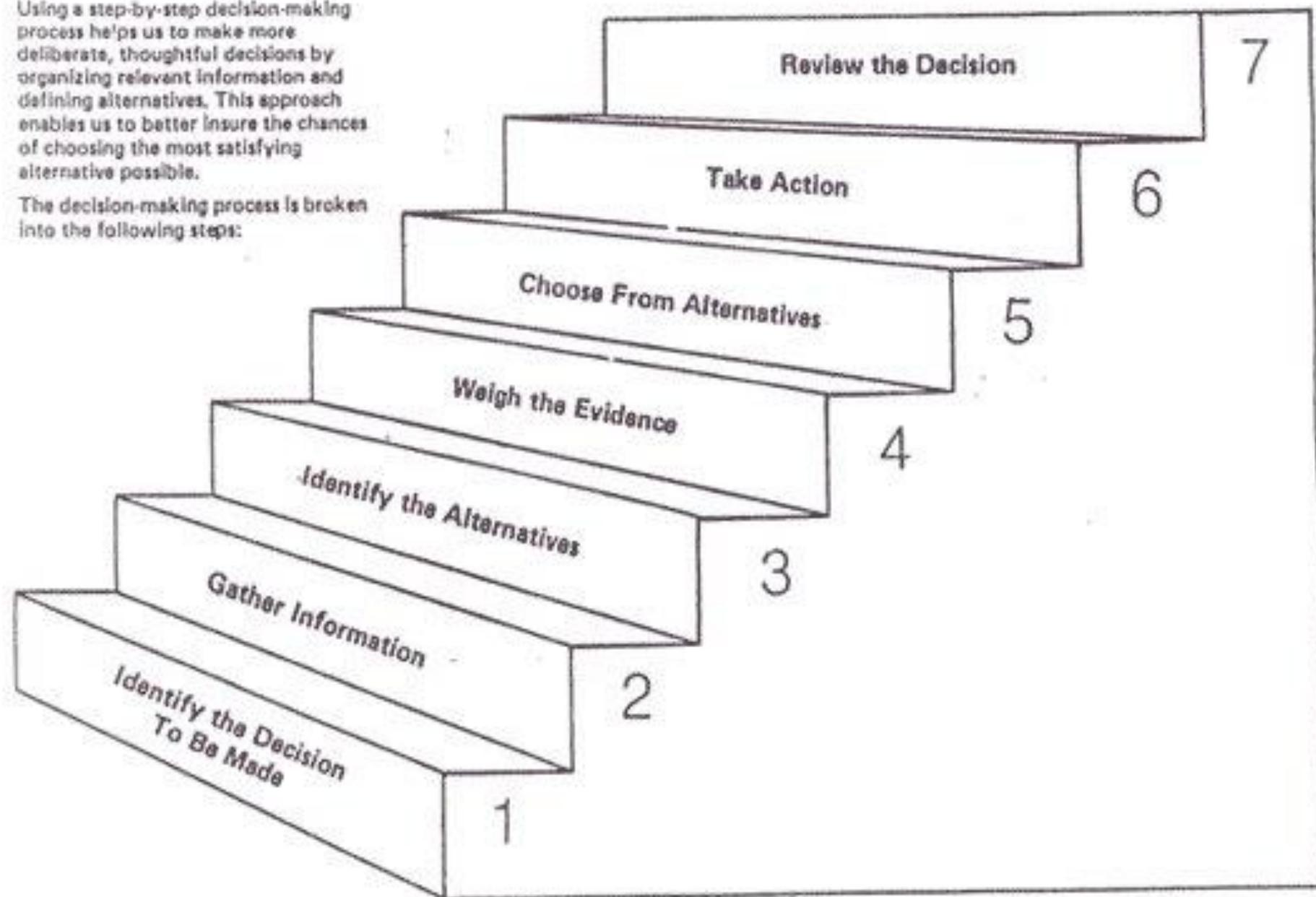
- The process of gathering and analyzing information in order to make a decision
- Our decisions determine the success we have in finances and life



## DECISION-MAKING MODEL

Using a step-by-step decision-making process helps us to make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives. This approach enables us to better insure the chances of choosing the most satisfying alternative possible.

The decision-making process is broken into the following steps:



# Write Your Bucket List

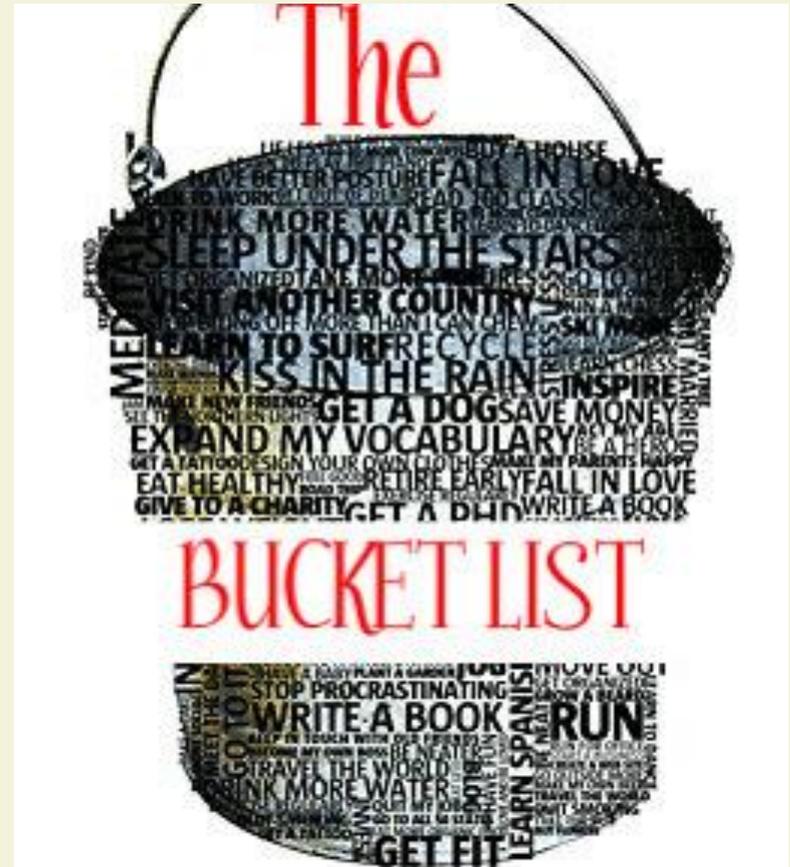
Utilize your Imagine My Future Project to write 10-20 things you plan to do before you die.

Identify which ones will require money in order to be accomplished.

Categorize each item into one of the following:

- Education
- Travel
- Charity
- Sports/hobbies
- Cars
- Housing
- Social Activities
- Personal Care

Which category had the most? Least? Are you sure you want to invest your limited financial resources on those values?



# What is a Goal?

- **A written statement of something a person wants to acquire (buy) or accomplish (do).**

– *Examples*

- Graduate from high school
- Earn a college degree
- Buy a car
- Get a job
- Lose 15 pounds



# Why Set Goals?

- Goals are our plans which show us how we will get where we want to be.



<https://www.youtube.com/watch?v=5vbw5sqD7lc>

# S.M.A.R.T. Goals

- S = **Specific** - State exactly what you plan to achieve
- M = **Measurable** – State the conditions you will accept to show when the goal has been met.
- A = **Attainable** – Make a plan of what you will need to do in order to reach your goal.
- R = **Realistic** – Can YOU accomplish it? What will YOU have to give up to make it happen? (**opportunity costs**)
- T = **Time-Bound** – Establish a time frame you plan on achieving (or re-evaluating) your goal within?

**A good SMART goal must also be written!!!!**

# Review

Help Jim-Bob write a SMART goal by matching each part of his goal to the corresponding concept

Specific

Measurable

Attainable

Realistic

Time Bound

1. Jim-Bob will spend \$25 less on entertainment each month in order to save it instead
  2. Jim-Bob will save money for college
  3. He will save money for the next 2 years
  4. He will save \$600
  5. Jim-Bob has determined the opportunity cost of having money for college is more valuable to him than \$25 dollars of entertainment each month
- 
- The diagram shows five colored arrows connecting the SMART concepts to the goal statements:
- A red arrow points from 'Specific' to goal 2.
  - A blue arrow points from 'Measurable' to goal 4.
  - A green arrow points from 'Attainable' to goal 1.
  - A dark blue arrow points from 'Realistic' to goal 5.
  - A purple arrow points from 'Time Bound' to goal 3.

# Jim-Bob's Final SMART goal

Jim-Bob wants to save \$600 for college. In order to accomplish this he has decided he will spend \$25 less on entertainment every month in order to save \$25 dollars a month for the next 2 years because college is more important than monthly entertainment.

# Review

The following do not contain all the elements of a Smart Goal. Identify the missing parts.

Specific

Measurable

Attainable

Realistic

Time Bound

I plan to save \$1500 to buy a used car. I will do this by canceling my home cable service and saving that \$75 a month instead.

What's Missing?

**Time Bound.** It does not mention how long it will take to reach this goal

# Review

The following do not contain all the elements of a Smart Goal. Identify the missing parts.

Specific

Measurable

Attainable

Realistic

Time Bound

I plan to save \$2500 by depositing \$105 from my \$1000 paycheck into a savings account every month for 2 years.

What's Missing?

**Specific.** What is the person saving the money for?

# Review

The following do not contain all the elements of a Smart Goal. Identify the missing parts.

Specific

I plan to save \$5,000 for college living expenses in 4 years.

Measurable

Attainable

What's Missing?

Realistic

**Attainable and Realistic.** How the goal will be reached has not been identified. Therefore, we cannot determine if it is realistic.

Time Bound

# Review

The following do not contain all the elements of a Smart Goal. Identify the missing parts.

Specific

Measurable

Attainable

Realistic

Time Bound

Instead of signing up for a new cell phone plan, I will save that money to buy a computer in 1 year. I will do this by saving the \$50 I was spending on the phone each month.

What's Missing?

**Measurable.** The amount of the computer has not been identified.

# What can you do to ensure you reach your goals?

- **Always write them down**
  - Makes your goal a tangible thing
- **Make them Public**
  - Ask a friend or family member to hold you accountable
  - Use a goal setting website
- **Continually evaluate your progress**
  - What will you do if something gets in the way?
  - Do you need to adjust your plans a little?
- **Reward yourself for reaching your goals**

# Delaying Gratification

- Stanford Marshmallow Test
- [http://www.ted.com/talks/joachim de posada says don t eat the marshmallow yet](http://www.ted.com/talks/joachim_de_posada_says_don_t_eat_the_marshmallow_yet)
- Only 1/3 of the participants were able to wait 15 minutes. (Resisters)
- 1/3 grabbed the marshmallow right away (Grabbers)
- 1/3 failed to resist the entire 15 minutes (everyone else)

# Delaying Gratification

- Years later these same participants were re-evaluated after high school.
- **The Resisters**
  - Higher incomes
  - More successful marriages
  - Greater Career Satisfaction
  - Healthier
- **The Grabbers**
  - Lower income brackets
  - Less Healthy
  - More Marital issues
  - Less Job Satisfaction

# Conclusion

Avoid giving in to **present bias**- the tendency to choose options today at the expense of tomorrow

The ability to delay immediate gratification for long term goal achievement leads to life long success

# How can goal setting help you manage your money?

Goal Setting is an important step in the Financial Planning Process

**Financial Planning-**  
Managing money continuously through life in order to achieve financial goals

**Financial Goals-**  
specific goals or objectives that are accomplished through managing your money

Setting Financial Goals will help you with day to day spending decisions

# Financial Planning

- A blueprint or plan for managing all components of a person's money.
- Arranging to spend, save, and invest money to live comfortably, have financial security, and achieve goals.



**"If you don't know  
where you are going,  
ANY ROAD  
will take you there."**



*Cheshire Cat, Alice In Wonderland*

# Benefits of Having a Financial Plan?

- You have more money and financial security.
- You know where to use money to achieve your goals.
- You have less chance of going into debt you cannot handle.



# How do I make a Financial Plan?

## 1. Determine your current financial situation.

*Make a list of items that relate to your  
finances:*

– **Assets**- Resources or things I own

- Cash, Bank Accounts, Property, etc..

– **Liabilities**- expenses or things I owe

- Bills, Credit Card Debt, Loans, Mortgages, etc...

$$\begin{array}{r} \text{Assets} \\ - \text{Liabilities} \\ \hline \text{Net worth} \end{array}$$

# How do I make a Financial Plan?

## **2. Develop your financial goals.**

- *Consider your attitude toward money.*
- Ask yourself the following:
  - How do I determine if it is more important to spend money now, or save it for the future?
  - How do your personal values affect your financial decisions?

# Financial Values

- Your values determine what you spend your time, money, and energy on.
- Determining what our “**Financial Values**” are helps us to prioritize how we spend, save, protect, and invest our money.

# How do I make a Financial Plan?

## **3. Identify your options and Evaluate your alternatives.**

- Expand the current situation.
- Change the current situation.
- Start something new.
- Continue the same course of action.
- *Consider the risks and consequences of each decision you make.*

# How do I make a Financial Plan?

4. **Create and use your financial plan of action.**

**Just DO it!**

# How do I make a Financial Plan?

## 5. Review and revise your plan.

*As we get older and our circumstances change, our finances, needs, and wants will also change, therefore, our financial plan must be flexible as well.*

