



HISTORY & GEOGRAPHY

STUDENT BOOK

▶ **12th Grade** | Unit 9

HISTORY & GEOGRAPHY 1209

BUDGET AND FINANCE

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Rock Rapids, IA 51246-1759**

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Budget and Finance

Introduction

Money can be a real struggle in our walk with God. Many Christians make the false assumption that finance is a part of life that doesn't need to be under God's control. The Bible, however, deals with the challenge of honoring God in every financial decision we make. The book of Ecclesiastes gives a very pointed lesson when it tells us that a man strives for a meaningless life if all he cares about is accumulating wealth – he will never be satisfied. While it is not wrong to want to be able to have a little money stored away in the bank, if the desire to build riches overcomes a sincere walk with the Lord, the Christian is headed away from God. While financial freedom is not evil in itself, it cannot be a substitute for God's security and happiness. God promises to provide for us if we put Him first. This promise is found in Proverbs 3:9-10: "Honour the LORD with thy substance, and with the first fruits of all thine increase: So shall thy barns be filled with plenty, and thy presses shall burst out with new wine." Honoring God first, above our bank account and any desire for riches, will bring blessing from Him. As we study personal finances, we must remember this "honor God" principle.

Objectives

Read these objectives. The objectives tell you what you will be able to do when you have successfully completed this LIFEPAAC®. When you have finished this LIFEPAAC, you should be able to:

1. Explain the importance of a budget and be able to plan one for your monthly expenses.
2. Explain how a person should watch and spend their money wisely.
3. Explain the seriousness of debt, its use, and consequences.
4. Explain the use of a checking account.
5. Explain the practical precautions and steps to buying a car.
6. Explain the different means by which a college student can pay for college.
7. Explain how an IRA account works.
8. Explain what loans are and how banks distribute them.
9. Explain how a credit union works.
10. Explain the process of deposits and savings.
11. Explain how an ATM and E-cash works.
12. Explain the advantages and disadvantages of a savings and loan.
13. Explain the forms of payment available when traveling in the U.S. and abroad.

Survey the LIFEPAAC. Ask yourself some questions about this study and write your questions here.

1. CASH, CREDIT, AND CHECKING FINANCES

Section Objectives

Review these objectives. When you have completed this section, you should be able to:

1. Explain the importance of a budget and be able to plan one for your monthly expenses.
2. Explain how a person should watch and spend their money wisely.
3. Explain the seriousness of debt, its use, and consequences.
4. Explain the use of a checking account.
5. Explain the practical precautions and steps to buying a car.

Vocabulary

Study these words to enhance your learning success in this section.

bank savings book	A small journal which is a continually updated account of the money available in one's savings account.
budget	An itemized account of the possible income and expenditures over a given period of time.
debt	Money owed to a person or a business.
expense	Something on which money is spent.
gross income	Total money earned, excluding all deductions.
income	Money received as earnings from work or the selling of goods.
monthly budget	Planned income and expenditures for a calendar month.
savings account	A bank service in which the depositor puts his money in the bank for the purpose of drawing interest.
tithe	10% return back to the Lord from income you received; derived from O.T. passages such as Deuteronomy 2:11.

Note: All vocabulary words in this LIFEPAC appear in **boldface** print the first time they are used. If you are not sure of the meaning when you are reading, study the definitions given.

YOUR PERSONAL FINANCES

Even Christians have financial problems. You have been working hard at your job and trying to save the money you earn. Sure, you spend a little here and there during the course of the week, but you have been keeping a tight rein on your spending so you can save up enough for the Christmas presents you want to get for the family. You take a peek into your **bank savings book** and—WHAT? You find out that you do not have near as much money you thought you had saved. But how did you spend it so fast? This happens as a reality to many people everywhere. The best way to keep yourself from last-minute surprises is to make a **budget**. Do not be scared—making a simple budget is easy and can save you quite a bit of money in the long run.

Before you arrange a budget, commit yourself to start saving some of your **income**. Proverbs 21:20 tells us, “[There is] treasure ... and oil in the dwelling of the wise; but a foolish man spendeth it up.” The writer is telling us that the wise man saves reserves, but a foolish man spends everything. Commit to saving a portion of your income.

A budget is a personal tool that can give you two great advantages. First, it will let you know where you may have problems when it comes to spending. Many people are surprised when they see how much money slips through their fingers when they spend a little here and there on soft drinks, entertainment, and late-night snacks. Even though the purchases are each small, they quickly add up.

Secondly, you can figure out where you can save a bit here and there—sort of like streamlining your money’s direction. You could find that putting an extra \$5 a week into your **savings account** will help you double your savings over the course of the summer, depending on how much you now have. Many times when a teen simply writes down what he has been doing with his money, he learns a great lesson right away!

Like each person, each budget is unique. As you step out into your career, you will discover the need to be aware of expenses that did not concern you when you were living with Mom and Dad. However, that should not discourage you from making a plan of action for controlling your spending. We can work together on a budget that is simple and unimposing.

Let’s say that you work for Beta Industries and are renting an apartment while you take night courses in college. You are responsible for your car’s upkeep,

the food in your cupboard, and little things called insurance and school bills. How do you keep from going broke? Here are a few steps to remember when setting up your own personal budget:

1. **A monthly budget is usually the best framework to use.** Keep an eye on future needs. Most people prefer to use a budget that breaks down into months. Figure out what you can spend and expect to receive every month. But wait! You might get paid on an irregular basis for odd jobs along with your regular employment. Some bills need to be paid every three months instead of every month. What do you do? Figure what the expenses would cost over the course of a year and then divide by 12. We are trying to estimate costs, not calculate penny-by-penny just yet. If you have been working and going to school for a while, you could use past figures of income and expenses to estimate your monthly budget for the year to come. Let’s say it is your fourth month with Beta and your third month at school. You can go by past income and expenses from the months you have been working and studying.
2. **Take your time, be thorough, and list all of your income and expenses.** Be careful not to overlook a “small” **expense**. If you spend \$2 a week on shampoo, remember to write it down. If you join the church group for a weekly meal, note it.
3. **Get out your calculator and follow this guideline to get an idea of how costs break down by percentages.** Here is an idea of percentages per general expense. This would be a good guideline to follow and will help you realize that this is where your money goes (or should go) each paycheck.

The average % of **gross income** is usually spent this way: (1) Housing + Utilities (water, electricity) 25% to 40%, (2) Taxes (actual percent) 20%, (3) Transportation + Maintenance 10%, (4) Food 10%, (5) Clothing 5%, (6) Savings 5% or more, (7) Entertainment 5%, (8) **Debt** (credit cards, personal loans, school loans) 5%, (9) Other Expenses 5% or more, (10) **Tithe** to the Lord 10%.

4. **Make it a habit to put money into a savings account.** This is known as “paying yourself.” Note in #3 that one of the monthly expenses is putting money into savings. Aim for saving at least 5% of what you make in gross income. It is important that you save a little from each paycheck. This percentage can vary; perhaps you are able to put away 10% each month—great! You take a giant step towards financial freedom when you learn to save. If that means cutting out the extra bag of potato chips and a night out at the fast-food restaurant, consider it an investment.
5. **Not all of the expenses (food, for example) are easy to calculate.** The college cafeteria may give you a great deal on a daily lunch, which cuts your expenses for food by a third. You never know what deals you could run into. Write down what you think you need, and as the months continue, you can adjust it.
6. **As a Christian, you should be ready and willing to give to the Lord.** Usually this is 10%, which is called a “tithe.” Calculated into your budget is the fact that as a believer in Jesus Christ, you should honor the Lord with a gift from your income. People have different ideas about how much, but the general idea is 10%, an idea found in the Scriptures in passages like Malachi 3:10: “Bring ye all the tithes into the storehouse, that there may be meat in mine house, and prove me now herewith, saith the LORD of hosts, if I will not open you the windows of heaven, and pour you out a blessing, that [there shall] not [be room] enough [to receive it].” God promises blessings for the Christian who gives to Him. Other passages such as Hebrews 7:5, Deuteronomy 2:11, and Nehemiah 10:37 also give us the tithing principle. It is interesting to note that out of gratitude for the resources that God has given them, many Christians give according to the New Testament verse found in 1 Corinthians 16:2, “Upon the first [day] of the week let every one of you lay by him in store, as [God] hath prospered him” They might

actually exceed the 10% of the Old Testament as they set aside part of their income at the beginning of the week! Remember, giving that comes from a grateful heart will be rewarded by God.

7. **When you have listed all your income and expenses, subtract the expenses from income and see what comes out on the “bottom line.”** Your result should be positive; this is “cushion” for emergencies and unknown expenses that may pop up. If you end up with a negative number on your bottom line, you can see that you need to start reducing your expenses. You do not have to suffer in order to start saving. Our next lesson will help you learn how to use your money more wisely.

Proverbs 3:5–10 could be titled, “God’s Plan for Financial Prosperity.” The keys for a Christian to have a stable and strong financial life is to follow the principles found in this passage: “Trust in the LORD with all thine heart; and lean not unto thine own understanding. In all thy ways acknowledge him, and he shall direct thy paths. Be not wise in thine own eyes: fear the LORD, and depart from evil. It shall be health to thy navel, and marrow to thy bones. Honour the LORD with thy substance, and with the firstfruits of all thine increase: So shall thy barns be filled with plenty, and thy presses shall burst out with new wine.” We are wisest when we give the Lord the control of our budget. The Lord has much to say about money. There are over 2,300 verses in the Scriptures that directly refer to money! Though the Bible is not mainly a financial book, it is interesting to note that right after the subject of God himself, the second-most referred-to subject in the Bible is money. The Lord does not merely receive a portion of our income—he gets first priority over it! Whether it is in giving to missions or in relying upon the Lord in using wise judgment before we make a big purchase, it’s good to remember the right of ownership principle: “God owns it all.” Psalm 24:1—“The earth is the Lord’s and the fullness, the world and they that dwell therein.” Since all of our income is the Lord’s rightful property, we ought to allow him to direct us so that we may be able to use our money wisely.

Are you going to be able to stay financially stable? Here are some questions any young person should ask himself as he makes a budget, saves money, and spends money:

1. Are my checking and savings accounts smaller than they were six months ago? (Every six months this question should be asked.)
2. Am I tempted to use a credit card for a charge when I do not know whether or not I can pay the bill?
3. Am I falling behind on my bills to my creditors?
4. Are my creditors charging me with late fees?

Here is a way to keep yourself financially strong. Follow these steps and you can help keep yourself from falling into the “debt trap” that plagues so many people.

1. **Locate the “missing money!”** Are you frustrated from trying to figure out where your money goes? Make a list of all the money spent each day for one month to see where your “missing money” is actually being spent. You might find that you are spending enough for “small” items to make a serious dent in your wallet!
2. **Do not let your spending habits get out of hand.** Never charge more on your credit cards than you can afford to pay off in one month.

3. **Plan your spending ahead of time.** Before you go to the store, list what you need to buy and then stick to the list. Many people lose lots of money by making impulse purchases at the store.
4. **Do not let finance charges eat up your budget.** Pay bills on time—or ahead of time—to keep the finance charges as low as possible.
5. **Keep track of your spending.** Retain all copies of sales slips, and promptly compare charges when your bills arrive. Not only will you have a good idea of your spending habits, you can double-check against anyone who might be trying to use your card or your number.
6. **Do not allow room for anyone to abuse your purchase.** Sometimes a dishonest employee may try to add a charge or tip onto your receipt. Prevent this by drawing a line through blank spaces above the total when you sign receipts.
7. **Prevent any opportunity for a thief to get away.** Keep a list of your credit card account numbers, checking account information, and the telephone numbers of each credit card issuer in a safe place in case your cards or checks are lost or stolen.

Match each category with its budget guideline.

- | | | | | |
|-----|-------|---|----|------------|
| 1.1 | _____ | Clothing | a. | 25% to 40% |
| 1.2 | _____ | Housing + Utilities
(water, electricity) | b. | 5% or more |
| 1.3 | _____ | Food | c. | 10% |
| 1.4 | _____ | Taxes (actual percent) | d. | 20% |
| 1.5 | _____ | Savings | e. | 5% |

Choose the correct word from the list.

- | | | | |
|-----------------|--------------|---------------|-------------|
| tithe | debt | firstfruit | Proverbs |
| savings account | budget | IRA | percentages |
| gross income | bank savings | book expenses | |

- 1.6 _____ is the total money you earned, if you don't subtract the deductions.

tithe	debt	firstfruit	Proverbs
savings account	budget	IRA	percentages
gross income	bank savings	book expenses	

1.7 Deuteronomy 2:11 is one of many Bible passages that tell us of the principle of the _____ .

Complete the following statements.

1.8 The passage in Proverbs 3:5–10 tells us: “Honour the LORD with thy substance, and with the _____ of all thine increase: So shall thy barns be filled with plenty...”

1.9 _____ 3:5–10 could be titled, “God’s Plan for Financial Prosperity.”

1.10 Total income, exclusive of any deductions is called _____ .

1.11 Proverbs 21:20 tells us, “[There is] treasure ... and oil in the _____ of the wise; but a foolish man spendeth it up.” The writer is telling us that the wise man will save _____ .

1.12 Many Christians give according to the New Testament verse found in 1 Corinthians 16:2 which is actually _____ than a 10% tithe.

1.13 When you have listed all your income and expenses, subtract the _____ from _____ and see what comes out on the “bottom line.”

1.14 Make it a habit to put money into a savings account. This is known as _____ .

1.15 Never charge more on your credit cards than you can afford to pay in one _____ .

1.16 Keep a list of your credit card _____, checking account information, and the telephone numbers of each credit card issuer in a safe place in case your cards or checks are lost or stolen.

1.17 Are my creditors charging me with _____ ?

1.18 Are my checking and savings accounts smaller than they were _____ months ago?

Circle the letter of the correct answer.

1.19 God should receive honor in our handling of finances. “Honour the LORD with thy substance, and with the firstfruits of all thine increase: So shall thy barns be filled with plenty, and thy presses shall burst out with new wine.”

Where is this passage found? _____

- Proverbs 21:20
- Proverbs 3:5,6
- Proverbs 3:9–10
- Malachi 3:8–10
- 1 Corinthians 16:2



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www.aop.com

HIS1209 – Jan '18 Printing

ISBN 978-1-58095-239-2



9 781580 952392