



**By the end of this unit, you will:**

- Examine why it's important to have a plan for your money
- Know what SMART goals are
- Analyze how you get and spend money
- Use the decision-making process to create your financial plan
- Identify guidelines to implement your financial plan
- Learn how to monitor and make changes to your financial plan

## UNIT ONE

### Your Financial Plan: Where It All Begins

**Have your parents ever refused to buy you some things you really wanted?** Maybe they were new clothes, tickets to a show, or the latest electronic gadgets, and you just didn't have enough money to buy them yourself?

**Have you ever wanted to buy something big, like your own computer or car? Or dreamed about becoming a multi-millionaire and retiring at 40?**

It is possible for you to do all of these things if you get savvy about managing your money.

In this unit, you will begin your journey toward savvy money management by learning about the financial planning process. People who "have it all" didn't get there by accident. They made a financial plan and followed it. You will use what you learn in this unit to create your own personal financial plan. Later, we'll build upon this by discussing ways to follow it and other aspects of managing your money.



**Although he doesn't have his license yet, Josh has already picked out the sporty red coupe he wants when he turns 16 next year.**

It's more than his parents want to spend though, and they've said it won't happen unless he can come up with the difference.

**As Maria studies for her SAT tests, she is thinking about her first year of college.**

She knows her parents haven't saved much money for her college expenses, so she decides to save at least half of her paychecks from a summer job as a lifeguard so she has money to spend when she goes to school.

**Jaime, age 16, wants a new video game system to play with his friends.**

He has saved two months' worth of pay from his part-time job and is ready to go to the store and buy it.

**What do all these students have in common?**

They're managing money to get something they want. And they may not realize it, but they're also using some type of plan to make it happen. That's what this unit is all about—how to make a financial plan that helps you meet your goals.

## What Do You Think?

With a partner, indicate whether each statement is True or False:

Teens get most of their money from part-time jobs.<sup>1</sup>

Most teens who are 18 or 19 years old have a checking account.<sup>1</sup>

Ninety percent of high school students rely on their parents for information about money.<sup>2</sup>

On average, American teens spend more than \$10 billion a year.<sup>1</sup>

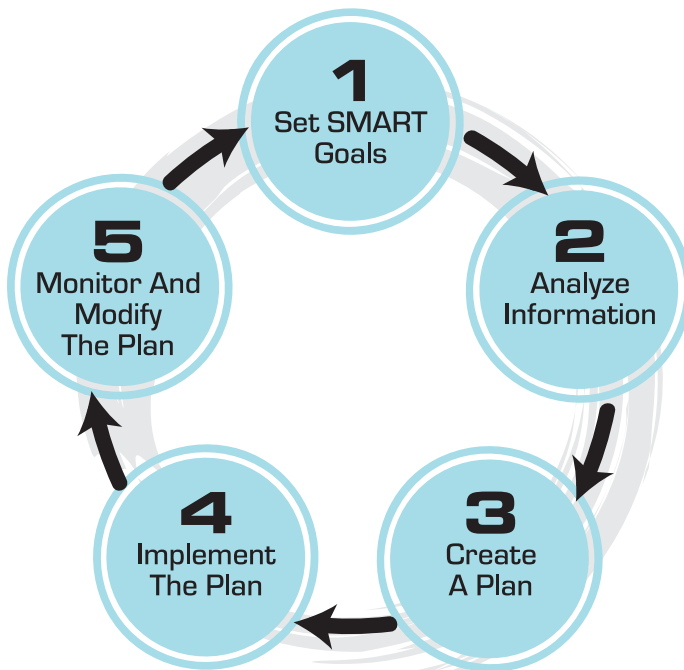
<sup>1</sup>Teen Research, Inc., <sup>2</sup> National Retail Federation



## What's So Important About Financial Planning?

**Financial planning** is a process of setting goals, developing a plan to achieve them, and putting the plan into action. It's creating a roadmap for handling everything you do with your money—spending, saving, using credit, and investing. People who are good at making and following a financial plan are able to live comfortably and buy nice things without guilt or stress. But those who never learn to plan often worry about having enough money for the things they need and want.

Even though financial planning can have a big impact on the quality of your life, it is actually pretty simple to do. In fact, it boils down to five steps:



## Step 1 Set SMART Financial Goals

If you're going to run in a race, don't you want to know how long it is? Of course you do! You certainly don't want to start off too gung-ho and then be unable to finish. If you know the race is a 10k and ends at the top of a steep hill, you can plan your pace and even your training accordingly. This is simply called beginning with the end in mind—it helps you maximize your ability to reach your goal. Many athletes take this technique a step further by actually visualizing themselves crossing the finish line at a certain time. Visualizing a mental picture of your desired outcome can actually help you attain it.

It's rare that anyone has enough money to spend on every single want. Studies show that even multi-millionaires believe they need about twice what they have to feel worry-free.<sup>1</sup> So everyone has to make choices and set priorities—a good financial plan helps you through that process. For one, it makes you think about your needs and wants.

### Do You Need It or Do You Want It?

Let's face it, sometimes we say we "need" things that we actually don't. **Needs** are the very basic things we must have to survive. **Wants** are the things that make life more interesting and fun, but you could live without them if you had to. You need food to eat, but you want to eat pizza out with your friends. You need a place to live, but you want a TV in your room. You need some clothes to wear, but you want those designer jeans. Everyone has wants, but when your wallet is looking thin, needs have to come first.

<sup>1</sup>PNC Advisors, 2004





**Exercise 1A:**  
**Needs and Wants:**  
**Can I Tell the Difference?**

Write down five things you spend money on. Then think about each item and decide if it is a need or a want by checking the appropriate box. Examples are given for you.

Need?	Description	Want?
✓	<i>bread &amp; eggs for breakfast</i>	
	<i>eggs to bake cookies</i>	✓
✓	<i>transportation to work</i>	

*Compare your answers with those of your classmates. Do they agree with your answers? Do you agree with how the examples are classified? Some classmates may have similar wants, and some probably listed things you'd never want. Someone may have even listed one of your wants as a need. It's possible that you're both right! That's because people define needs and wants differently; they usually base them on their values.*

**Values** are the beliefs and practices in your life that are very important to you. So many things can influence your values—your parents, other family members, friends, your religion, things you read, and experiences you have. Your values may even change over time as you learn and do new things.

The point is that you have a set of values. And they affect all the choices you make, including your choices about money. Maybe you believe it's important to donate money to charity. Or maybe you'd rather have money in the bank than a new car of your own. These types of beliefs and practices reveal your values about money. Knowing what they are makes it much easier to create a plan for getting the things you really want.

**Getting SMART About Your Goals**

You probably know that a **goal** is something you aim for. It's something you want to be, do, or have at some future time. It points you in the direction you need to take. Achieving a goal gives you a sense of accomplishment, which spurs you on to setting new goals for even bigger and better things. So learning to identify and set clear goals is key to your success in life.

If one of your *personal* goals is to go to college the same year you graduate from high school, you know you have to take the SATs, decide which schools to apply to, and mail applications by certain deadlines. Knowing what you're aiming for makes it a lot easier to map out a process to see what you have to do to meet your goal. But if you don't set the clear goal of going to college the same year you graduate from high school, you could easily miss some of the things you need to do to meet your goal.

Setting clear *financial* goals is also important. It's easier to find the money for a June trip to Florida if you decide in January that this is what you want, then make a plan to save for it, instead of trying to scrounge up the money to go at the last minute.

One thing you need to know about your goals is how long you expect they will take to accomplish. Goals that you want to achieve within the next three months are called **short-term goals**. Goals that are set for three months to a year are called **intermediate-term goals**. **Long-term goals** are ones that it'll take you more than a year to achieve.



## Exercise 1B: How Long Will It Take?

Look at the goals below. Consider how long it will take to meet the goal—less than three months? Less than a year? More than a year? Categorize each goal by writing S (Short), I (Intermediate), or L (Long) next to the statement.

- Save money to buy a birthday present for one of your friends whose birthday is next month.
- Save money for your senior year school trip.
- Buy new tires for your car.
- Buy a new phone to replace your phone that is damaged.
- Set aside money to pay your first semester of college tuition.

With longer-term goals, you have to be willing to give up something you want now to get something even better in the future. That's called **delayed gratification**. But so many Americans are in credit card debt because they opt for instant gratification—to buy something as soon as they see it. The problem with putting that new shirt on a credit card is that it will probably cost a lot more in the end, compared to saving money and paying for it in cash.

So there are other factors to consider when setting a clear goal. In fact, the best goals aren't just clear—they are SMART.

<b>S</b> pecific.	"I want to go to Panama City for Spring Break" is more specific than "I want to go somewhere fun over Spring Break."
<b>M</b> easurable.	"I'll need \$150 for my share of the hotel room for the week" is measurable; "I want to save a bunch of money for the trip" is not.
<b>A</b> ttainable.	"I'll split the driving with my friends and take \$200 more for gas, food, and other spending" is much more attainable than "I want \$500 to fly there and \$700 for spending money."
<b>R</b> ealistic.	"I'll save \$60 a month from my paycheck for the next six months" is more realistic than "I'll buy lottery tickets every week."
<b>T</b> ime bound.	"I want to save all the money by March 1st" gives you a specific date from which to plan backwards, unlike "I want to save all the money by spring."

### SMART Goal Examples

#### Short-term:

Save \$25 by the 10th of next month to buy mom a birthday gift.

#### Intermediate-term:

Save \$10 a week for the next six months to buy a dress for prom.

#### Long-term:

Save \$2,000 from a summer job for the next three years for a down payment on a car.



### Exercise 1C: Are the Goals SMART?

By writing goals that are SMART, you will have a good start to setting up a financial plan to meet your goals. The goals in *Try It!* Exercise 1C are missing SMART criteria. Can you tell what is missing? Work with a partner to rewrite the statements into SMART goals.

Goal	What Is Missing?	SMART Goal
<i>Go on a whitewater rafting trip next summer.</i>		
<i>Save money this summer to pay for all college fees.</i>		
<i>Get a job to afford to buy a motorcycle.</i>		
<i>Use money received as birthday gifts to pay own monthly phone fees.</i>		

There are two other important things you need to know about your SMART goals. First, they should be meaningful to you—something you really want to achieve and not just something your friends think you should do. Otherwise, you'll lack the motivation to stick with your plans. Second, you should always write your goals down and keep them in a place where you'll see them often, as a reminder of what you're working toward.



## Assignment 1-1: My SMART Goals



So what are your SMART financial goals? List at least three goals—one each that is short-, intermediate- and long-term. Also, decide whether each is a want or a need. Be sure the goals you list are S-M-A-R-T.

Specific Financial Goal	Objectives (Measurable and realistic strategies/ways to reach goal)	Estimated Cost	Timeline Achievement Date	Short-Term	Intermediate	Long-Term
<p>Sample: Pay for lodging, transportation, meals, and sightseeing for a five-day trip to Washington, D.C., with school group.</p>	<ul style="list-style-type: none"> <li>• Assist with group fund-raising activities to reduce individual cost by \$300.</li> <li>• Save \$50 of birthday money for trip fund.</li> <li>• Save \$25 per week for trip fund.                             <ul style="list-style-type: none"> <li>✓ Reduce spending on clothing and fast food.</li> <li>✓ Earn money from part-time job on weekends.</li> </ul> </li> </ul>	\$1,000	Six months from now _____, 20XX		✓	

Don't worry if the total amount for your goals is more money than you receive in a week—we'll talk more about that later. The point is to see your financial goals in black and white so you can start figuring out what it will take to make them happen.



**Assignment 1-2:**  
30-Day Countdown to Goal

Now choose one short-term financial goal you want to achieve by next month. Keep track of your progress over the next 30 days and see how you did!

**Think Fast!**

How much money did you spend in the past week? Think about it and write down your best guess of the total amount.

Don't worry—most people don't know off the top of their head how much they've spent. That's why a Personal Spending Record can be a handy tool for tracking your cash flow. **Cash flow** simply measures the money you receive and the money you spend. We'll talk more about it in Unit 2. For now, it's important to know that how you manage your cash flow affects if, when, and how you reach your goals.

So to find out where your finances currently stand, complete the Personal Spending Record that follows. Then copy the form in Assignment 1-3 as a model to track your money for the next several weeks.



**Step 2 Analyze Information:**  
Where Does Your Money Go?

The second step in the financial planning process is to find out where your finances currently stand, so you can see exactly how much money you're getting and how much you're spending or saving.

Let's start with your income. Where do you get money from? Do you receive an allowance? Do you have a job or your own business? How much do you earn each week?

Next, how much money do you spend each week and on what are you spending it? Do you owe money to anyone for the stuff you've bought? Whether you got a loan to buy your first car or you borrowed money from your parents to buy a new jacket, you owe money to others and need to be aware of that debt.

Questions like these are critical because their answers have a direct impact on your ability to achieve your financial goals.



**Assignment 1-3: My Personal Spending Log**

Track your spending for a week, and assess how your spending matches your financial goals. Try to fill in the table for the last seven days. If you can't remember every dollar you spent or received, that's OK. Just do the best you can.

Week of:	INCOME +\$ (A)	SPENDING -\$ (B)
Sunday		
Monday		
Tuesday		
Wednesday		
Thursday		
Friday		
Saturday		
<b>Totals</b>		
<b>Difference (A minus B)</b>	<b>\$</b>	

But from now on, log your income and purchases on a daily basis. We'll make use of this information later in Unit 2. Finally, compare your entries to how teens on average spend their money.





## Did You Know?

**How do other teens spend their money?** A recent study shows:

### Top 5 Items Guys Last Bought With Their Own Money

Food.....	30%
Soda or Soft Drinks.....	26%
Candy.....	24%
Clothes.....	21%
CDs or Recorded Music.....	19%

### Top 5 Items Girls Last Bought With Their Own Money

Clothes.....	43%
Candy.....	34%
Soda or Soft Drinks.....	32%
Food.....	31%
(Tied) Salty Snacks and Lunch.....	22%

Source: NOPWorld 2003. Survey based on teens ages 13 to 17.

**Now that you have some idea of where you are (your financial resources) and where you want to go (your goals), the next step is to figure out how to get there.**



## Step 3 Create a Plan: Your Financial Roadmap

So what if the amount you need to save each week in Assignment 1-1 is more than you receive? It's a common situation that nearly everyone faces. The solution is to analyze the situation and make the best decision you can.

### Making Decisions

Financial planning requires making many decisions, and making decisions about money can be particularly challenging because so many things come into play. For one, you have the facts of the situation, such as your spending log. But there are many other things that can affect your decisions as well—your mood, values, culture, habits, and opinions of your friends and parents.

Some decisions are easy, such as deciding which movie to see. Of course, others are more complicated and require more thought. But whether the decision is easy or hard, there's a basic process everyone follows—the six stages of decision making that you may not even realize you already go through. So let's see how this works by analyzing an easy decision. Pretend you're going to see a movie with your friends and it's sold out. What do you do?

- 1 Identify your goal.** Yes, you still want to see a movie.
- 2 Establish your criteria.** Consider what type of movie you want to see, when you want to watch the movie, and how much money you want to spend. By identifying your expectations in advance, you can eliminate choices that don't meet your wants and needs.
- 3 Examine your options.** Think about whether you want to buy tickets now for a later showing of the sold-out movie, see another one that will be starting soon, or rent a movie to watch at home.
- 4 Weigh the pros and cons.** Consider how your options meet your criteria. You really don't want to wait a couple of hours, and there's another film playing that you want to see.
- 5 Make your decision.** Decide which option best meets your criteria. Decide to buy the tickets for the movie that is playing now.
- 6 Evaluate results.** Afterward, talk with your friends about whether you liked it.

When it comes to the decision-making process, two of the most important elements are examining your alternatives and analyzing your outcomes. So let's look at these two elements a little further.

Say your friend Rob has two short-term goals he wants to meet.

- **Goal A:** save \$5 per week for the next four weeks to buy a new video game.
- **Goal B:** save \$10 per week for the next nine weeks to buy a new pair of shoes.

However, Rob's Personal Spending Record shows that he has only \$5 left over each week. So he asks you what to do—choose Goal A or B?

Because Rob's limited resources mean he can't accomplish both of his goals in the desired time frame, he has to make some kind of trade-off. Economists call this the **opportunity cost** of the decision. If Rob chooses to save for only the video game right now, it means that he's giving up the opportunity to buy those sneakers nine weeks from now.

Rob has several options for trying to reach his goals. In situations like this, making a decision chart can help. Just remember that many times there is no "right" answer. The best decision is simply the one that feels like the best choice based on your criteria and all the information you have. Use Exercise 1D to help Rob establish criteria for making his decision.



### Exercise 1D: What Should Rob Do?

Work with a partner to complete Exercise 1D to help Rob decide what to do to reach his goals. Use the chart to list the criteria and possible options for Rob's situation.

Criteria	Option A:	Option B:	Option C:
<b>Notes</b>			

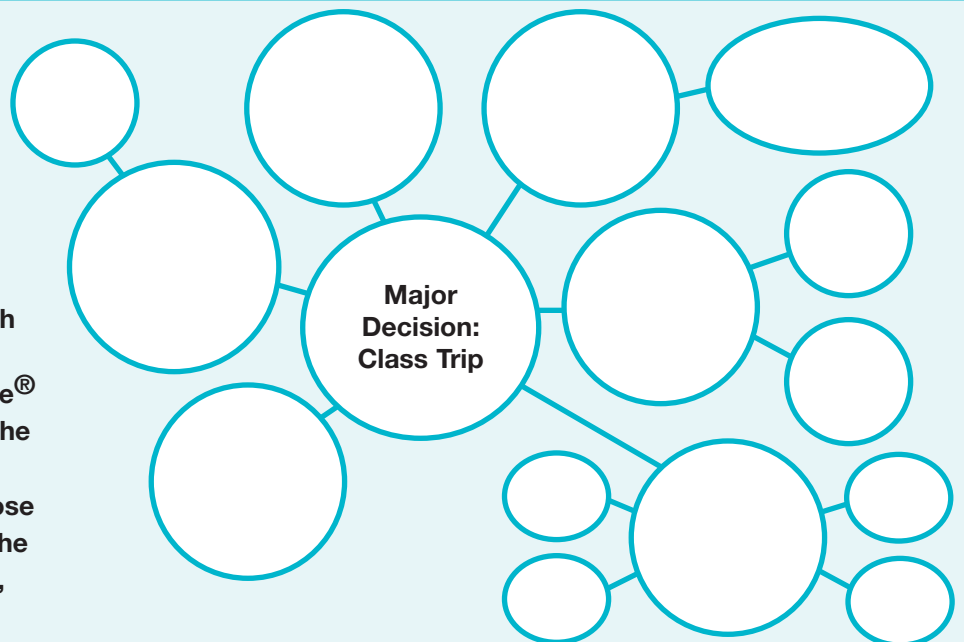
Of course, not all decisions are created equal. Some are just a blip on the radar screen, while others will have a lasting impact on your life. In fact, some of the personal and financial decisions you make today will affect decisions you will make far into the future. For example, if you take out a loan to buy a car, you could be making payments on it for the next five years. So for the next 60 months, you will have less money to put toward other things you may want.

Often a major decision leads to several smaller ones, sometimes called **satellite decisions**. Once you've decided to buy a car, you have to decide what kind of car to buy, how much money to put down, what dealer to buy it from, and when to buy it. These are satellite decisions, which may lead to even more satellite decisions. Let's say you know which car you want. Now you have to decide which color and options package to get.



### Exercise 1E: Satellite Decisions

In Exercise 1E, pretend your high school class wants to see the Macy's Thanksgiving Day Parade® in person. What decisions will the class members need to make? And what new decisions will those decisions create? Remember, the decisions will likely involve who, what, where, when, and how.





### Exercise 1F:

#### Deciding to Buy a Car

Now that you've become an expert on the decision-making process, let's see how you would work through a major decision—buying a car. Work with a partner to complete Exercise 1F, using the decision-making process to choose a car to buy.

Criteria	Option A:	Option B:	Option C:

Notes

### Assignment 1-4:

#### Decisions, Decisions

Now complete Assignment 1-4 to show how you used the decision-making process. Think of a decision that you need to make now or in the near future. Show how the decision-making model can be used to help you make a decision that will best fit your needs and your limited resources.



## Step 4 Implement the Plan: Making It Happen

With your plan in place, the next step is to implement it. Of course, knowing what you should do and actually doing it can be challenging. It takes discipline.

Did you make any New Year’s resolutions this year? Have you broken them yet? If so, you know it can be tough sometimes to stick with your plans.

We’ll talk later about some specific things you can do with your money to help you stay on target. But one thing you can do today is to find someone to encourage you to be accountable for your goals.

### Being a Responsible Spender

When it comes to money, you have a choice. Life is a lot easier, though, if you handle it wisely and respectfully and take personal responsibility for your decisions and actions.

How are you going to make sure you stay on track to meet your financial goals? In later units we’ll talk about specific things you can do with your money to help you stay on target. But one thing you can do today is to find someone, like a family member, to encourage you to be accountable for your goals. Share the goals you wrote down earlier. Talk about your plan. Then ask him or her to check in with you once a week or so to see how you’re doing. Your odds of success are much better if you have a “partner” to help motivate you—and it’s almost always easier than going it alone.

### Read the guidelines for sticking with your plan.

Can you think of strategies that will help you stick to your financial plan?

#### Guidelines for Sticking With Your Plan

- Write your goals on an index card or find pictures of your goal and post them in a place you’ll see every day.
- Tell other people about your goals. Also, ask someone to check in with you about your progress—knowing someone is going to ask about it is good motivation!
- When you’re going to spend money, decide how much you’ll need ahead of time and take only that amount so you’re not tempted to spend more.
- Review your plan regularly so you know when you’re starting to stray and can make adjustments quickly.

What might hold you back from meeting your goals? You need to consider any potential roadblocks that may affect your ability to meet your financial goals. Some roadblocks are beyond your control. For example, the concert tickets you want might be sold out, or your paycheck might be small because you weren’t scheduled to work as many hours as originally planned. Anticipate any roadblocks, and leave room for flexibility in your financial plan.



#### Assignment 1-5: Financial Planning Strategies

You have been asked by a friend to provide advice about how to meet a financial goal. Write a script or letter to give advice about how a financial plan will help the person meet his or her financial goal. Be sure to mention factors that will affect the plan and strategies to help the person stick with the plan.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

## **Step 5 Monitor and Modify the Plan: Staying on Track**

Once you start implementing your financial plan, you need to check to make sure that you're staying on track. The best way is to decide to review your plan and your progress at regular intervals—like every two weeks or every month. The more often you do this, the sooner you'll catch yourself if you start straying off course.

**A plan isn't meant to be written in stone.** It's a living document that should change as things in your life change. You may run into unexpected obstacles or expenses. Your goals may change, or your resources may vary. You may even receive money that you didn't expect. That's just life, and it's totally normal.

Therefore, you should review your plan whenever you have significant changes in your life. This includes whenever your finances change, such as getting a promotion and a raise or quitting your job. But it also includes life changes as well. For example, you might start dating someone or move to a new city. All of these events can create a need to update your financial plan.



**When you achieve a goal, celebrate and cross it off your list! Then revisit your list of goals and ask yourself these questions:**

- **Are my existing goals still worth achieving?**
- **Is there a new goal to add to my list?**
- **Is there an existing goal I want to drop or change?**



### **Assessment 1-1: My Financial Plan**

Put what you've learned together and create your own financial plan.

#### **Adding It Up**

**Now you should be able to see how all these elements in the financial planning process work together: your values influence your needs and goals; the decisions you make affect your goals; spending money on your wants may limit meeting your needs; all of this is your personal financial responsibility.**

**These elements are the basics of financial planning—making money work for you so you can lead the kind of life you want. Don't let money control you. Always remember that it is just a means to an end, not the end itself.**

**With a personal financial plan, your journey through life will be smoother. And when you come to forks in the road, you can move ahead with fewer hesitations. Rather than wandering aimlessly, you'll know where you want to go and have a better chance of getting there.**

**For more tips, tools, and articles about financial planning, visit [hsfpp.nefe.org](https://hsfpp.nefe.org).**





## Unit Assessment 1-1: My Financial Plan

Now it's time for you to put it all together and create your own financial plan. Develop a personal financial plan that includes at least three SMART goals and a record of your spending. Show how you used the decision-making process to develop your plan, and explain how you will stick to and monitor your plan.

**Competency:**

Use what you have learned and practiced in Unit 1 to create your own personal financial plan.

**Directions:**

Preview the Required Criteria to plan your activities to develop a personal financial plan. Include the following information in your plan:

- at least three financial SMART goals
- a record of your spending
- an explanation of how you used the decision-making process while developing your plan
- an explanation of factors that impact your plan
- strategies to use to follow your plan
- a summary of how you will monitor your plan

Required Criteria	Status	
1. Your financial plan includes at least one short-term SMART goal (zero to three months)	complete	not complete
2. Your financial plan includes at least one intermediate-term SMART goal (three months to one year)	complete	not complete
3. Your financial plan includes at least one long-term SMART goal (more than one year)	complete	not complete
4. Your financial plan includes a [week/month] record of how money has been received and used	complete	not complete
5. You show your decision-making process to allocate financial resources	complete	not complete
6. You describe at least two factors that will impact the plan	complete	not complete
7. You list at least three strategies to use to follow the plan	complete	not complete
8. You explain how the plan will be monitored	complete	not complete

**Feedback:**

Score \_\_\_\_\_/50

Name \_\_\_\_\_

Date \_\_\_\_\_