

Unit 1:
**Earning and
Managing an Income**

Personal Financial Literacy

Education

Objectives

- Identify sources and types of income.
- Discuss the long-term financial benefits of getting an education.
- Discuss non-college education alternatives that could improve your financial future.
- Compare needs versus wants.

Objectives

- Discuss the importance of living within your means.
- List the basic steps in a financial spending plan.
- State guidelines for using a spending plan.
- Summarize methods of managing personal finances.

Why Do We Work?

The average person spends 84,280 hours working during a lifetime:

40 hours a week, 49 weeks a year, age 22-65.

Most people work to earn an income to pay for housing, food, transportation, and extras

Types of Income

Fixed income – the same each time you receive it, e.g., weekly allowance or biweekly or monthly wages.

Variable income – changes because of hourly jobs, tips, or gifts of money.



Where Do you Get Money?

- Most income comes from wages or salary earned from job or career
- Other types of income :
 - Tips, bonuses, overtime pay
 - Gifts
 - Allowances
 - Interest
 - Income-producing hobbies

Job or Career?

A benefit package usually comes with a career.

You may get:

- Insurance

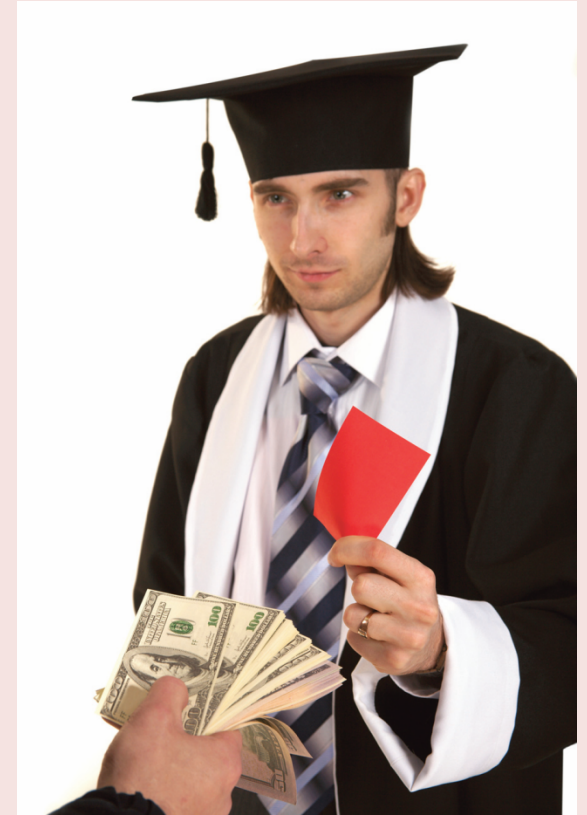
- Paid vacation

- Paid sick/family leave

- Retirement plans

Education Pays

- Animal care worker - HS grad:
\$19,360
- Veterinary Technologist, Technician - AS degree:
\$28,900
- Veterinarian – BS plus 3-4 yrs college:
\$89,450



Start Saving for Education

- By 2025, 75 percent of all jobs will require a college education.



Alternatives to College

- Apprenticeships/Internships
- Career Tech
- Community College
- Company training programs
- Military
- Online Learning



Needs vs. Wants

- Know the difference between **needs** and **wants**:
- **Needs** - basic necessities: roof over your head, clothes, shoes, a way to get to work or school, food, water, electricity, gas
- **Wants** - things you desire: video game, beach vacation, concert tickets
- **Sometimes wants disguise themselves as needs.**

Set a Goal



Goal – a plan with a specific result in mind

- **Short-term** — less than six months
- **Intermediate** — six months to a year
- **Long-term** — one to five years

SMART Goals

- S** Specific action
- M** Measurable results or outcome
- A** Attainable or able to achieve, not an impossible dream
- R** Realistic
- T** Timely or giving yourself enough time

Living Within Your Means

- Track Spending
- Stop Impulse Buying
- Create a Financial Plan



Your Financial Plan

- Establish financial goals
- Total your income
- Estimate and total your expenses
- Analyze income and expenses
- Prepare a spending plan



Managing Personal Finances

- Managing personal finances is a lifelong process.



- Ignoring personal finances can cause mounting debt, poor credit reports, garnishment of wages, and bankruptcy.

Develop Good Financial Habits

- Live within your means and spend less than you make.
- Save for short-term and long-term goals.
- Three to six months emergency account

Financial Challenges

- Attend to financial problems immediately.
- Revisit your spending plan.
- Adjust your expenses and spending.
- Don't use credit cards to fix problems.
- Contact creditors immediately if you can't pay.



Be Ready to Change

- Re-evaluate your budget as life changes
 - career moves
 - children, etc.



Unit Review

1. Name different types of income.
2. Explain the difference between fixed and variable income.
3. Discuss why people work.
4. Analyze the relationship between education and income.
5. Compare and contrast a job with a career.
6. Give examples of careers where the skills can be learned in alternatives to college.

Unit Review - Continued

7. Explain why it is important to distinguish between needs and wants.
8. What is the relationship of income to needs and wants?
9. Why is it important to live within your means?
10. Describe the purpose of a spending plan.
11. What type of expense is flexible in a spending plan and why?

Unit Review - Continued

12. What are the steps in developing a spending plan?
13. Discuss the guidelines in following a spending plan.