CAREER PATH

Scott is a high school senior. He has explored many career options and has considered if he has what it takes to start his own business. He has also taken a self-assessment to learn about which careers are most suitable for him. Now that he has this information, he is better prepared to make a decision about his career path. In this lesson, you will learn how to use the PACED decision-making process to make decisions about selecting a career path.

Circle the correct answer.

2.15 Taking a self-assessment test is a good way to learn about yourself and careers that are suitable for you.

a. false   b. true

Making a Decision about a Career Path. Salary is an important factor in choosing a career, but it's not always the most important one. There are other aspects to consider. Will I enjoy the daily tasks? Is there variety in the job? Will I have to work very long hours? Will I make a difference in people's lives? As you can see, there are many factors and many alternatives to consider. The best way to make a difficult decision like this is to use an effective process—the PACED method.

Let's look at a scenario and use the PACED process to make a career decision. Remember, the PACED process includes five steps.

EXAMPLE

After exploring career options and reflecting on her values, interests, skills, and personality traits, Emily finds that she is creative and is also good at science and math. She's now considering four different career paths. These are: computer programmer, chemical engineer, math teacher, and photographer.

Step 1: Define the problem. Emily needs to choose a career path.

Step 2: List the alternatives. She's interested in computer programming, chemical engineering, teaching college math, and being a photographer.

Step 3: Select the criteria. Compare the average salary, years of education, work environment, job location, and job hours.

You may choose a completely different set of criteria. Remember, the criteria you select are influenced by what is important to you. For example, job outlook, daily tasks, work schedule, or job prestige may be important to you. Think about all of the factors you looked at when exploring different careers.

Step 4: Evaluate the alternatives. For this, you'll need to gather reliable information. Interview professionals, visit reputable websites, or meet with a career counselor

	Criteria					
		Salary	Education	Environment	Location	Hours
Alternatives	Computer Programmer	$93,000	4 years	office or from home	many locations	40 - 50 per week
	Chemical Engineer	$105,550	4 or 8 years	lab	mostly big cities	40 - 50 per week
	Math Teacher	$79,640	6 - 8 years	college	any college town	40 per week
	Photographer	$38,950	0 - 4 years	outdoors or in a studio	small town or big city	hours vary

Step 5: Make the decision. Emily decided to select college math teacher as her career path. She didn't want to work more than 40 hours per week. And she loves to travel, so the summer vacations were enticing.

Write *T* for True or *F* for False.

2.16 Making a career decision is simple, and it's not necessary to use a process.

a. __________

b. __________

2.17 There are five steps in the PACED decision–making process.

a. __________

b. __________

2.18 Salary is the most important factor when choosing a career path.

a. __________

b. __________

SAVING AND INVESTING PLAN AND INSURANCE PLAN

Let's look at the last two pieces of a good financial plan.

Saving and Investing Plan. Savings and investing plans help you reach your financial goals. They're simply plans that give details about how you will save and invest. These details include the amount of money, types of savings accounts, financial institutions, types of investments, names of stock, etc. Many people meet with a financial advisor to create a plan. Saving and investing will be addressed more in detail in Unit 4.

Insurance Plan. Throughout your life, you'll face risks as an individual. For example, when you drive, you risk getting in a car accident. Because there are risks like this, there are different types of insurance policies. They include health insurance, car insurance, life insurance, disability insurance, and others.

When you are insured, should something happen that adversely affects your life in some way, the insurance company will compensate you appropriately according to your policy agreement. The compensation is called insurance **benefits**. An insurance plan simply lists the types of insurance that you need to meet your needs.

We will go over individual types of insurance coverage in greater detail in Unit 8, but here we'll look at different types of life insurance.

Life insurance. Life insurance is intended to protect your dependents in case of death. Life insurance may be purchased in different forms and at different rates called **premiums**. In essence, you are paying the insurance company to protect you against certain chance events. The insurance company then pays you if the events you are **insured** against do indeed happen. Premiums depend on the various factors including age at the time the policy is purchased. Probabilities are calculated based on these factors. Companies use these probabilities to calculate premiums. Premiums are frequently broken up into **quarterly**, **semiannual** or **annual** payments per unit.

Term life insurance. The least expensive kind of life insurance is term insurance. Term insurance covers the insured for the stated term of the policy. The term can be for one year, five years, ten years, or any other stated period of time. Premiums are paid throughout the term. If the insured dies during the term, the **beneficiary** receives the **face value** of the policy. At the end of the term, insurance ceases; and the policy is of no value.

Term insurance has no value as an investment, but it provides inexpensive insurance coverage and is especially useful to the young family with a limited income, as it provides some security in the event of the death of the major wage earner.

Whole-life insurance. The next kind of insurance in terms of expense is whole-life insurance. The insured pays premiums on this type of insurance until his death. At that time, the face value of the policy is paid to the beneficiary. In addition, this type of insurance has a cash value for the insured if he decides to stop paying premiums and cash the policy in. Thus, ordinary whole life insurance has some value as an investment, although it is very low.

Limited-payment life insurance. The next most expensive type of insurance is limited-payment life insurance. This type of insurance covers the insured for life, but the insured only has to pay on it for a certain number of years. The most usual limited time is twenty or thirty years. For example, a limited-payment life insurance policy for thirty years is called "thirty-payment" or simply "thirty-pay."

In summary, the five parts that make up a good financial plan include:

a net worth statement		financial goals
budget	savings and investing plans	insurance plan

Complete the activity.

1.3 The least expensive type of life insurance is:

a. limited-payment life insurance
b. term life insurance
c. whole-life insurance

Write *T* for True or *F* for false.

1.4 ____________ Term insurance covers the insured for the stated term of the policy.

1.5 ____________ For term life insurance, at the end of the term, insurance ceases and the policy is worth its face value.

1.6 ____________ Premiums on ordinary whole-life insurance policies are paid until death of the insured.

1.7 ____________ Ordinary whole life insurance has some value as an investment.

1.8 ____________ Limited payment life insurance covers the insured for life, but they only have to pay on it for a certain number of years.

1.9 ____________ The most usual time period for limited payment life insurance is fifteen or twenty years.

1.10 ____________ The most usual time period for limited payment life insurance is five or ten years.

Write *T* for True or *F* for false.

1.11 ____________ A saving and investing plan is part of a good financial plan.

1.12 ____________ A savings account is part of a financial plan.

1.13 ____________ A savings and investing plan is part of a financial plan.

1.14 ____________ A budget is part of a financial plan.

1.15 ____________ A variable expense is a cost that stays the same from month to month.

1.16 ____________ A variable expense is a cost that changes.

TYPES OF FINANCIAL INSTITUTIONS

The two major types of financial institutions are banks and **credit unions**. Let's compare these financial institutions.

Bank. A bank is a financial institution or business that has to follow federal and state laws and regulations. Banks provide many financial services including loans, cashing paychecks, money orders, checking accounts, savings accounts, CDs, and IRAs. They also provide mortgage and insurance services. They are insured by the FDIC (Federal Deposit Insurance Corporation).

Credit Union. A credit union is a nonprofit financial institution formed by a large corporation or organization for its employees or members. It's necessary to become a member of the credit union to keep your money there. Members also need to meet certain requirements, such as be an employee in a certain corporation or be a member of a certain organization. Credit unions provide the same services as banks. The main difference between a bank and credit union is that banks are typically for-profit institutions, while credit unions are not-for-profit and distribute their profits among their members.

BENEFITS OF BANKING

Why keep your money in a financial institution? The most obvious reason is that banks keep your money safe. Let's say you kept your money at home in your bedroom dresser. If your home was burglarized or there was a fire, you could lose your money. Here's a list of some reasons people choose to keep money in a financial institution:

- safety
- convenience
- growth
- cost
- security
- financial future

Safety. Keep your money safe. Money in a financial institution is safe from loss, theft, and fire. Money kept at home, even in a safe place, may be at risk.

Convenience. When your money is in a bank or credit union, you can access it quickly and easily. You can deposit a paycheck or quickly withdraw money by walking into the bank or using an ATM. You can also set up direct deposits with your employer to have your money automatically deposited into your account. Money can also be transferred between accounts within your bank or credit union, and both typically have bill pay options.

Most bills, from car payments to utility bills, offer the option to automatically deduct your monthly bill from your bank account as well.

Growth. When your money is in an account at a bank, it can grow. If your money is in a savings account, your money will earn interest and increase over time. Certain checking accounts and other accounts also pay interest. We will go over CDs, IRAs, and other ways to invest your money through your financial institution in greater detail in Unit 4.

Cost. When you keep your money in a bank, some services are free. Services vary from bank to bank and credit union to credit union. Some offer free checking and savings accounts, while others charge a fee. Some offer free checks, and some offer free overdraft protection—a feature that automatically pays the difference to a certain amount if a charge to your account exceeds the amount of money you have in your account. If a charge exceeds your balance, most banks charge an overdraft fee that typically ranges from $25-$50.

Security. Your money is secure in a bank. Banks are insured by the FDIC, or Federal Deposit Insurance Corporation, which was discussed in Unit 2. This government corporation insures deposits up to a certain amount in bank accounts. This means that if for some reason a bank closes and cannot give its customers their money, the FDIC will return the money to them. Credit unions are not FDIC insured, but they do have their own insurance fund run by the National Credit Union Administration.

Complete these activities.

1.1 The __________ insures money deposited in banks.

a. FDIC
b. National Banks Association
c. National Credit Union Administration

1.2 The __________ insures money deposited in credit unions.

a. FDIC
b. National Banks Association
c. National Credit Union Administration

1.3 Most employers allow __________ so money is deposited directly in your bank account.

a. paycheck transfer b. direct deposit c. bill pay

1.4 A financial institution formed by a large corporation for their employees or members is a __________ .

a. FDIC b. credit union c. bank

1.5 Jen heard the bank where she kept her money was going to close for good. She wasn't worried. What is the most likely reason Jen wasn't worried?

a. She knew that banking rules required banks to give customers their money.
b. She knew that her bank would open a new account for her at a different bank.
c. She knew that laws prevented banks from closing for good.
d. She knew that her money was insured by the FDIC.

Write T for True or F for False.

1.6 ____________ All banks charge the same fees.

1.7 ____________ Financial institutions keep all your money in a vault.

1.8 ____________ The main types of financial institutions are banks and credit unions.

1.9 ____________ When selecting a financial institution, you should consider their fees.

1.10 ____________ When selecting a financial institution, you should consider the services they offer.

Complete the activity.

1.11 Name four reasons for keeping your money in a financial institution.

____

____

____

____

LET'S REVIEW!

There are benefits to keeping your money in a financial institution. These benefits include safety, growth, convenience, security, financial future, and cost. There are two main types of financial institutions: banks and credit unions. In this lesson, you looked at the differences between these organizations, as well as at factors that should affect which financial institution you select. These factors are fees, locations, services, interest, hours, and minimum account balance.

MANAGING RISKS

How can you manage all these risks? You've already looked at many strategies to protect yourself. For example, buying car insurance protects you if you get in a car accident, and not giving out personal information protects you from identity theft. Managing risks is about identifying risks and protecting yourself by using these strategies. Such strategies minimize financial loss. In summary, these strategies include:

» keeping your money in a safe place
» financial planning or meeting with a financial adviser
» obtaining health, car, home, and disability insurance
» protecting your personal information and your identity
» becoming educated and informed in order to avoid scams
» having an emergency fund
» buying products with warranties
» knowing consumer rights

Insurance. You may be still wondering how insurance is related to personal finances and managing your money. Well, if you've ever been sick or injured, you know how important it is to have health insurance coverage. Health insurance pays for things both big and small, from a lab test that might cost $75 to a hospital stay for major surgery that could cost thousands of dollars. Having health insurance gives you peace of mind, knowing that no matter what kind of care or procedure you might require, you won't have to pay the cost on your own.

In most states, if you own a car, having car insurance is mandatory. Furthermore, you'll have peace of mind knowing that if you are in a car accident, the insurance company will pay for at least a portion repairs and hospital bills.

So how does insurance work? First, you pay the insurance **premium** or the bill for insurance. Then, if you ever need the insurance company to pay for bills associated with an accident, illness, disability, or home repair, you file a claim. A **claim** is a request for payment from the insurance company. The claim process varies by the type of insurance. For example, for health insurance, your doctor's office most likely requests payment directly from the insurance company. To file a claim related to a car accident, you'll most likely call your insurance company and answer their questions. After the claim is filed and approved, the insurance company will pay the bills. However, if you have a deductible, you'll pay the amount of the **deductible** and then the insurance company will pay the remaining costs. Let's look at an example.

EXAMPLE

You shop around for a car insurance policy, and you find a policy that charges $109 per month and has a deductible of $500. You pay the premium for the policy every month ($109). Then, a few years later, you cause a minor car accident. You call the insurance company and answer their questions. They send you to an auto body shop to get an estimate for the repairs. You provide the insurance company with the body shop's estimate of $1,200. They send you or the auto body shop a check for $700 because it's your responsibility to pay the first $500. (In other words, because your deductible is $500, the insurance company deducts that $500 from what they pay, and then they pay the remainder.)

All types of insurance help provide financial protection for unforeseen losses for you and your family. Here are some of the main types of insurance:

Home or homeowner's insurance provides financial protection against disasters to your home. A standard policy insures the home itself and provides property coverage for the things you keep in it.

Renter's insurance provides **property coverage** for damage that occurs to items inside a rental property.

Disability insurance replaces a percentage of your gross income if an injury or illness prevents you from earning an income.

Car insurance provides protection in case of an accident or theft. It covers hospitalization costs that happen as a result of a car accident. Some policies include liability coverage or coverage for the costs incurred by others involved in a car accident that's your fault.

Health insurance covers costs associated with health, such doctor bills, hospital stays, vaccinations, and prescriptions from a pharmacy. Health insurance varies greatly in what it covers. Sometimes a health insurance plan will require you to pay a **co-payment**. This is a fee that you pay each time you visit the doctor or buy a prescription.

Dental insurance covers at least part of the costs incurred at a dental office, such as cleanings, exams, fillings, and x-rays.

Vision insurance covers costs incurred at an optometrist's office.

Life insurance pays a certain sum of money in the case of death. The payment is made to the **beneficiary**.

Jewelry insurance covers the cost to replace jewelry in the case of loss or theft.

Malpractice insurance protects doctors, dentists, and other professionals from financial loss caused by lawsuits.

Travel insurance covers costs paid for a vacation in case there's need to cancel.

Accidents and disasters can and do happen, and if you aren't adequately insured, it could leave you in financial ruin. You need insurance to protect you and to help keep a roof over your head. In the next project, you'll create an insurance plan and shop for insurance. To shop for insurance, you need to be familiar with some insurance terms:

- An **insurance policy** is an agreement to cover or reimburse an individual for a loss that occurs.
- **Liability coverage** covers injury or loss that you have caused to happen to other people.
- The **premium** is the amount to be paid by the policyholder for insurance.
- The **deductible** is the amount an individual has to pay before the insurance company will cover the remaining costs.
- **Bodily injury limit** is the most the insurance company will pay.

Complete these activities.

3.13 The purpose of insurance is to __________ .

a. pay for repairs when you can't pay for them
b. help protect you from financial loss
c. protect you from getting sick and needing a doctor
d. pay for insurance premiums

3.14 Life insurance __________ .

a. pays a certain sum of money to a beneficiary in case of death.
b. covers the costs associated with life
c. pays for repairs on cars
d. covers hospital bills

Write *T* for True or *F* for False.

3.15 ____________ One strategy to manage risks is becoming informed.

3.16 ____________ One strategy to manage risks is providing your personal information to others.

3.17 ____________ One strategy to manage risks is to have an emergency fund.

3.18 ____________ One strategy to manage risks is to pay for health insurance.

3.19 ____________ One strategy to manage risks is to have a warranty.

3.20 ____________ One strategy to manage risks is to carry lots of cash.

3.21 ____________ Phishing is looking for and reporting online scams.

INVESTING VS SAVING

You're probably not in a position just now to start **investing**, but you may be sooner than you think! Having information about how to invest will prepare you to be financially successful. Let's look at the important information about investing. First, what's the difference between saving and investing? Investments have the potential to earn more money. However, they also come with risks. You may lose some money you invest or possibly lose the entire amount. When you put money in a savings account, it's impossible to walk away with less than you started. For example, if you deposit $200 and you make no withdrawals, you would have $200 or more (if the money earned interest) in the account. However, if you invest $200, you could end up with less or even nothing. The money you invest is not federally insured, like the money you deposit in savings accounts.

Do you earn more money when you make risky investments? In general, the higher the risk, the more money you can earn on investments. The gain or loss of an investment is expressed as a percentage. You might read that an investment made 7 percent. This percentage is called the **rate of return**.

How do people make money on investments? To earn money, an individual must sell an investment for more than he or she originally paid for it. For example, let's say you paid $200 to purchase **stock**. When you sold it, it was worth $220. You earned $20. The rate of return on this investment would be 10 percent since the original amount of your investment ($200) increased by 10 percent ($20).

In summary, the major differences between saving and investing are shown in the table below.

Investing	Saving
Risky	Safe
potentially earns more money	earns a lower amount in interest
not federally insured	federally insured
sometimes earns money through dividends	no dividends; earns interest
necessary to sell an investment to use the money	no need to sell; withdrawals permitted

Write *T* for True or *F* for False.

2.1 ____________ Savings accounts are safer than investing.

2.2 ____________ Investing is not federally insured.

2.3 ____________ There are no guarantees you funds will grow with investments.

2.4 ____________ It is possible to lose money in a savings account.

2.5 ____________ To earn money, an investor must sell an investment for less than the original purchase price.

Complete these activities.

2.6 The rate of return is the __________.

a. the money that is returned to you when you sell an investment
b. interest you earn from stock
c. number that lets you know how risky an investment is
d. percentage that shows how much gain or loss an investment makes

2.7 Using money to try to make more money is called __________ .

a. investing b. trading c. diversifying d. saving

Preparing for Investments. Before you think about investing, there are some steps you should take. First, you should be debt free. If you have any credit card debt, you should pay it off. Credit card debt is expensive. It may cost as much as 15 to 20 percent of the amount you owe, and it's pretty unlikely you'll make more than 15 to 20 percent on an investment. For example, if you have a balance of $1,000 on your credit card, and you are being charged 20 percent interest, you would be paying $200. If you decided not to pay off your credit card and instead invested $1,000, earning 6 percent, you would only earn $60, leaving you with a net loss of $140. This is why paying off your credit card balance should be your first step. Second, you should have an emergency fund that would cover six months of basic living expenses in case you lost your job or were unable to work. In other words, you should be financially stable before investing.

Next, you should learn how to invest and practice investing money. You wouldn't become a head chef of a gourmet restaurant before you learned how to cook noodles, right? The same is true when investing money. There's a great deal to learn about the different types of investments, and there are ways to practice without risking your money. We'll investigate techniques to practice investing in the next project.

Once you've paid off your credit card balance, built an emergency fund, and learned about investing, you're ready to invest.

When you do start investing, you don't want to jump into the most complicated investments first. It's important to start with simple investments to help you learn what investing is all about. Let's take a look at some of the more common investment products.

Complete these activities.

2.8 Miranda thinks she's ready to invest in the stock market. What should she have done to prepare?

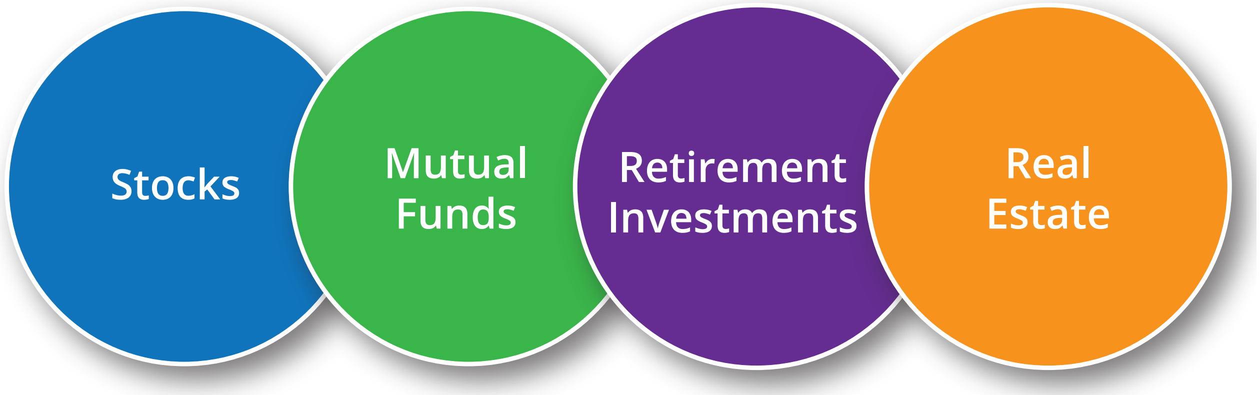
a. She should have invested in a mutual fund.
b. She should have paid off credit card balances, saved up an emergency fund, and learned the basics about investing.
c. She should have learned all about types of investing, even the most complicated investment types.
d. She should have purchased a home and saved enough to live for three to six months.

2.9 List three things you should do before investing.

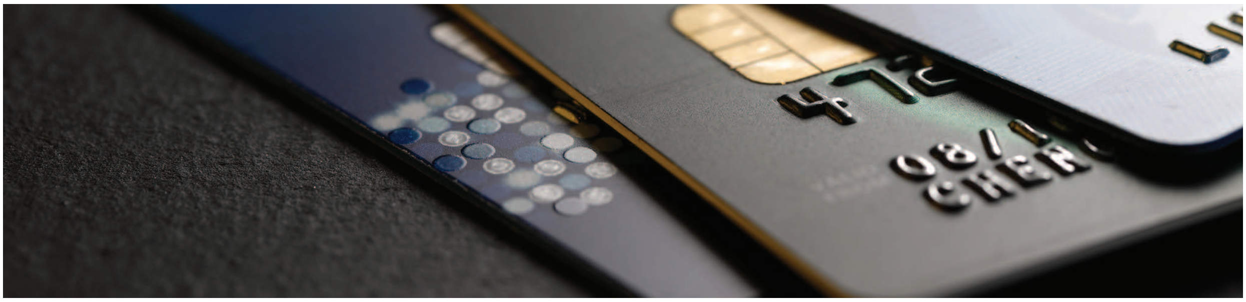
2.10 What should an emergency fund be able to cover?

INVESTMENT PRODUCTS

What are some ways to invest? Some common types of investments are:



- stocks
- mutual funds
- retirement investments
- real estate



SELECTING THE RIGHT CREDIT CARD

Before you sign up for a new credit card, make sure you understand the terms. Credit cards may look alike, but they don't work alike. Some of today's major credit card companies include Visa, MasterCard, Discover, and Capital One. These cards allow you to make purchases up to a certain limit. This limit is called your **credit limit**. For example, when you sign up for your first credit card, they may assign you a credit limit of $500 or $1,000. Later, when you're making more money and have a good credit history, your credit limit may be as high as $10,000 or more.

There are other types of cards, as well. There are charge cards, travel cards, and entertainment cards. Some of these require you to pay the entire balance each month. Some of them have no preset credit limit. Others charge high annual fees. And some of these cards may block the use of your credit card if you're late with a payment. It's a good idea to read carefully about the terms of the credit card. In fact, each credit card company is required to provide a **Truth in Lending Disclosure**, which is a statement that explains their terms.

What should you look for in the terms? It's important to look at the APR. Remember, the APR is the cost of borrowing money, expressed as a yearly rate. Even if you plan to always pay your full balance, it's still a good idea to look for a low APR. You'll also want to look at fees. Here's a list of common fees that a credit card company may charge:

- **Annual fee:** Some companies charge annual fees of $20, $50, or more for just carrying their credit cards.
- **Balance transfer fee:** If you transfer your balance to another credit card account, you might be charged this fee.
- **Cash advance fee:** When you get cash using your credit card at an ATM or with a bank teller, it is called a **cash advance**. You are usually charged a transaction fee for this. In addition, a cash advance is also charged higher interest rates than regular purchases, and the interest could begin accruing immediately.
- **Late fee:** If your payment is received after the due date, a late fee will be charged.
- **Over-the-limit fee:** If your balance increases to an amount that is more than your credit limit, an over-the-limit fee is applied.

In addition to APR and fees, you'll also want to consider the **grace period**. The grace period is the period of time before the credit card company starts charging interest. The grace period varies depending on the credit card company but is typically about twenty-one days. In other words, if you have a twenty-one-day grace period and you pay your balance within that time, you won't pay interest. However, if you don't pay the entire balance during one grace period, there's often no grace period on new purchases.

Grace period lengths can range among credit cards—all the way to 55 days for some companies—and some credit cards have grace period exceptions. For example, some credit cards do not include a grace period for cash advances. In these cases, the interest would begin accruing immediately. So, it's important to look at the grace period and whether it still applies for cash advances and on new purchases.

Finally, there's one more factor you should look at when selecting a credit card. It's the credit limit the credit card company will offer you. One credit card company may offer you a credit limit of $1,000, while another credit card company will offer you a credit limit of $2,000. This information will not appear in a Truth and Lending Disclosure but will appear in a separate document.

In summary, when selecting a credit card, you should read the Truth and Lending Disclosure carefully and consider the APR, fees, and grace period. You should also consider the credit limit they offer you. Some of these factors may be more important to you than others. For example, if you are starting a small business out of your home and you need to buy supplies, the credit limit may be most important. However, if you think you will have a balance on your credit card sometimes, the APR will be most important. On the other hand, if you are good at paying your balance each month, the APR would not be as important, but you would want to look for a credit card with low fees.

Complete the activities.

1.12 A grace period is the __________ .

a. period before a late fee is charged
b. period before interest starts
c. period interest is earned

1.13 __________ is the most important factor to consider if you plan to carry a credit card balance.

a. APR b. late fee c. over-the-limit fee

CHECK ______________ ______________
Teacher Date

Project: Selecting a Credit Card

There are many choices of credit cards available. Factors you should consider include APR, grace period, fees, and credit limit. In this project, you will analyze the terms listed in the Truth in Lending Disclosure Statement and decide which credit card is the best choice.

Credit Card #1
Truth in Lending Disclosure Statement

Annual Percentage Rate (APR)	1 percent for the first six months after you open the account. After six months, APR will be 24 percent.
Grace Period	Minimum of twenty-five days to repay without finance charges if previous balance is paid in full by the due date.
Annual Fee	$0
Other Fees	Cash advance fee: greater of $5 or 3 percent of the amount of cash advance; late payment fee: $30; over-the-limit fee: $30

Credit Card #2
Truth in Lending Disclosure Statement

Annual Percentage Rate (APR)	19.9 percent
Grace Period	Minimum of twenty-five days to repay without finance charges if previous balance is paid in full by the due date.
Annual Fee	$20
Other Fees	Cash advance fee: greater of $3 or 3 percent of the amount of cash advance; balance transfer fee: $25; late payment fee: $30; over-the-limit fee: $20; returned check fee: $20

Credit Card #3
Truth in Lending Disclosure Statement

Annual Percentage Rate (APR)	19.9 percent
Grace Period	Minimum of twenty-five days to repay without finance charges if previous balance is paid in full by the due date.
Annual Fee	Annual membership fee: $50 Annual participation fee: $60 ($5 charged monthly)
Other Fees	Cash advance fee: $20; balance transfer fee: $25; late payment fee: $20; over-the-limit: $20

WHAT ARE LOANS?

Some people may obtain a loan to buy a home, to purchase a computer, or to purchase a car. No matter what the reason, a loan is a way to borrow money with the promise of paying it back. So, what do you need to know about loans? The following is a list of basic facts you should know:

- Loans cost money. The money you pay for a loan is called finance charges. Finance charges include interest, service charges, and loan fees.
- The amount of time it takes to pay off a loan is the loan period, sometimes called a term.
- Some loans have a fixed interest rate (interest rate that stays the same) and some loans have **variable rates** (interest rate that may change). If you choose a loan with a variable rate, the interest rate may increase over the length of the loan. Sometimes the rate increases so much that it makes it difficult to make the loan payments. Most people choose a **fixed rate** because they don't want to take the chance that the rate will increase.
- Most loans are **installment loans**. This means they're paid in equal payments over a certain amount of time.
- Some loans are **secured loans**, and some are **unsecured loans**. A secured loan is a loan in which the lender requires collateral; if the loan is not paid back as agreed, the individual gives up the collateral to the lender. Unsecured loans are loans in which the lender does not require collateral. These are sometimes called personal or signature loans and may be used for personal expenses, such as education or medical expenses.
- Sometimes another person may cosign for a loan. Having a responsible adult cosign a loan may improve your chance of being approved for the loan. However, when a person cosigns on a loan, the person is signing a legal contract. If the borrower does not repay the loan amount or makes late payments, it can affect the **cosigner's** credit report.

Complete these activities.

1.1 The difference between a secured loan and an unsecured loan is __________.

a. a secured loan requires a cosigner and an unsecured loan does not
b. an unsecured loan requires a cash down payment and a secured loan does not
c. a secured loan requires collateral and an unsecured loan does not
d. a secured loan requires a cash down payment and an unsecured loan does not

1.2 A variable rate __________ during the life of the loan.

a. remains the same b. may change

1.3 A fixed rate __________ during the life of a loan.

a. remains the same b. changes

1.4 If a person cosigns a loan for you and you fail to make a payment, it will __________.

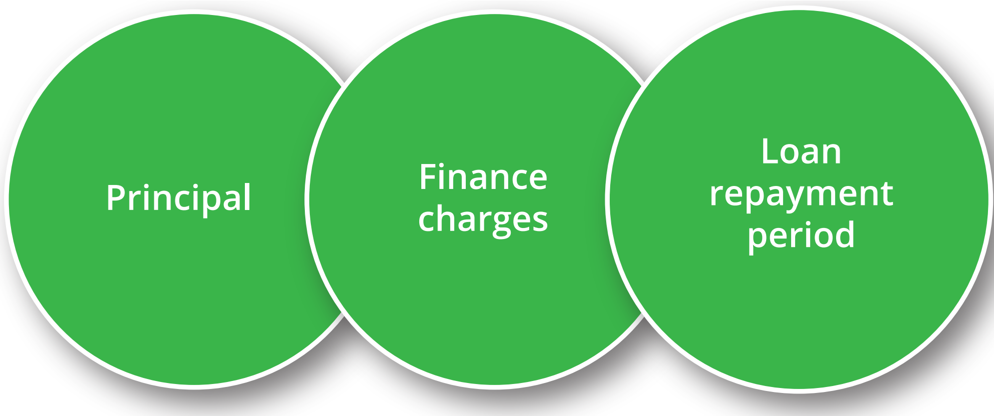
a. impact the cosigner's credit as well b. not impact the cosigner's credit

1.5 Installment loans have __________ payments over a certain amount of time.

a. varying b. equal

REPAYING A LOAN

After obtaining a loan, the borrower must make payments each month to pay back the loan. The type of loan will determine how much is paid each month. The three parts of the loan that determine how much is paid are principal, finance charges, and **loan repayment period**.



Principal. The principal is the original loan amount, or in other words, the amount of money the borrower originally needed. Of course, the larger the loan, the greater the monthly payments. The total cost to repay the loan will also be greater.

Let's take a look at the following table to see how the amount of principal affects the total cost of the loan.

Principal		
	Loan 1	**Loan 2**
Principal	$5,000	$6,000
Interest Rate	6.47 percent	6.47 percent
Monthly Payment	$98	$117
Loan Repayment Period	5 years	5 years
Total Loan Cost	$5,866	$7,039

Notice that even with the same interest rate and loan repayment period, the monthly payment is higher for Loan 2. You may also notice that $866 is paid in interest for Loan 1 and $1,039 is paid in interest for Loan 2.

Also note in this example that only the interest rate was used, not all of the possible finance charges. However, finance charges also include fees and service charges. Here are some examples of fees:

- **Credit report fees**—This is the fee paid to cover the cost of obtaining a credit report.
- **Appraisal fee**—This is the fee paid to an appraiser who provides a value for the item being purchased, such as a house.
- **Loan application fee**—This is the fee paid to process the paperwork to see if an individual is accepted for the loan. Sometimes this includes the credit report fee and appraisal fee.
- **Lock-in fee**—This is a fee to hold a low interest rate while the lender reviews the application.
- **Loan origination fees**—These are fees that cover the processing of a mortgage.

Loan Repayment Period. The loan repayment period is a certain amount of time the borrower takes to repay the loan. It may be five years, ten years, thirty years, or some amount in between. The longer the repayment period, the higher the total cost of the loan.

Let's look at the following table to see how the loan repayment period affects the total cost of the loan.

Loan Repayment Period		
	Loan 1	**Loan 2**
Principal	$5,000	$5,000
Interest Rate	6.47 percent	6.47 percent
Monthly Payment	$98	$117
Loan Repayment Period	5 years	10 years
Total Loan Cost	$5,866	$6,804

Notice that Loan 1 has a loan repayment period of five years, and Loan 2 has a loan repayment period of ten years. The monthly payment is less for Loan 2, but the total cost of the loan is much higher—almost $1,000 higher. So, the longer the loan repayment period, the more money paid. In addition, typically with a shorter loan repayment period, financial institutions offer lower rates.

As you can see, the finance charges, principal, and loan repayment period all have an effect on the actual cost when money is borrowed.

Write *T* for True or *F* for False.

1.6 ____________ If the principal on one loan is $1,000 more than another loan, the total cost of the loan is $1,000 more.

1.7 ____________ Finance charges can include fees, service charges, and interest.

1.8 ____________ The principal is the original loan amount plus interest.

1.9 ____________ The Truth in Lending Disclosure will show all details about the terms of a loan.

1.10 ____________ Typically, lenders will offer lower interest rates for loans with shorter repayment periods.

ADVERTISEMENTS

Advertisements encourage people to buy certain products by highlighting how consumers will benefit from the purchase. When consumers are convinced that they can benefit from a product or service, sometimes they purchase it. Companies use numerous **advertising** techniques to convince buyers that they'll benefit from their products or services.

Consider the types of advertisements you have seen. Ads often appeal to different emotions. For example, an ad for a medication may appeal to viewers' fears of being seriously ill. The ad would then provide a solution or way to remain healthy. The ad may not explicitly state "You should be afraid" but instead use imagery that inspires the emotion.

Another ad may appeal to the "cool factor." Many businesses have **commodified** (turning an idea of something that cannot be owned into something bought and sold) the idea of being cool or rebellious, appealing to young consumers. Think about some of the clothing ads you've seen. Many brands targeting young consumers feature young, beautiful models engaging in daring, exciting activities.

These ads appeal to young people as the inherent message is that if you buy those items from that brand, you too will live a daring, exciting lifestyle.

It's good to recognize these techniques and live a "saving lifestyle." This means thinking before you buy and using resources wisely. An excellent start for making difficult decisions about expensive purchases is to use the PACED decision-making process. Then, be aware of the appeals and techniques used in advertising.

Here are some common advertising techniques:

» Humor is used to catch audience attention.

» Famous spokespeople are shown using a particular product or service.

» Experts, such as dentists or doctors, are shown recommending certain products.

» Ordinary people are shown using everyday products, such as laundry detergent, in hopes that consumers will identify with them.

» Status is often suggested by associating product use with someone who is successful and enjoys the "finer things in life."

» Physical attraction is suggested by associating the use of a product with increased physical attraction or appeal.

» Entertainment is implied by showing others using the product while having fun.

» Intelligence is suggested by associating products with smart people who can't be fooled by gimmicks.

» Independence is suggested by associating products with people who can think and act for themselves.

- Guarantees, such as "lifetime guarantee" and "satisfaction guaranteed, or your money back," imply security.
- Scarcity is implied when the seller creates a false sense of urgency by claiming that supply or time is limited.
- Perceptual contrast is employed when the seller presents an undesirable option first to make the second option look far superior.
- Scientific or numerical claims, some of which cannot be proven, such as "Nine-out-of-ten doctors say ...," reassure the purchaser.
- Popular music is used so that the consumer might attach the product to something popular.
- Bright colors catch the attention of a viewer.
- Sound effects catch the attention of a viewer.
- Words like "new," "amazing," or "free" catch the consumer's attention.

Let's say you were watching TV and a commercial came on. A famous pop star started singing a popular song and then drank a soft drink. What advertising technique was used to grab your attention and convince you to buy the product?

Did you say the technique of using a famous spokesperson? Or did you say the technique of popular music? The advertiser used both of these techniques.

It's helpful to realize that ads are slanted by sellers to show a product in the best light. To increase their sales, sellers try to make themselves and what they are selling look and sound as good as possible. To protect consumers and make sure competition among sellers is fair, the federal government prohibits advertisers from making false statements. When a factual claim is stated in an advertisement, the seller must be able to prove the claim. If the government finds that a claim is false, the seller can be forced to stop running the ad and to pay a fine.

On the other hand, it's usually okay for advertisers to just talk about the positives and ignore the negatives of what they are selling. Some advertisements use words and pictures to stretch the truth. They often exaggerate by claiming something is "the best" or "the greatest."

| Influencer advertising makeup

| Advertisement using bright colors

Complete these activities.

2.1 The purpose of advertising is __________.

a. to take money from consumers
b. to convince consumers they will benefit from a product or service
c. to entertain consumers
d. to communicate the facts about the product

2.2 Arturo watched an advertisement that showed a scientist recommending a solar energy product. This advertiser is most relying on the advertising technique of __________.

a. showing famous people using the product
b. showing ordinary people you can identify with using a product
c. having experts make recommendations
d. associating product use with those who have a certain status

2.3 Carla watched a commercial that showed a girl just like her trying on a pair of jeans. This advertiser used the technique of __________.

a. entertainment b. humor c. experts d. ordinary people

2.4 Jordan was afraid of bugs and saw an ad for a bug spray that said, "Don't get bit! Mosquitoes carry diseases. Our bug spray will protect you!" He drove straight to the store and bought the bug spray. This is an example of __________.

a. an advertisement using an expert
b. an advertisement using a celebrity
c. an advertisement playing on emotion
d. an honest sales technique

2.5 Dalton sees an ad for a hair product featuring his favorite basketball player. He figures if his favorite player uses it, it must be good and buys it next time he's at the store. This is an advertising technique of __________.

a. showing famous people using the product
b. showing ordinary people you can identify with using a product
c. having experts make recommendations
d. communicating facts about the product.

Write *T* for True or *F* for False.

2.6 ____________ Businesses may use false statements to convince you to buy a product.

2.7 ____________ Advertisers sometimes use humor to catch audience attention.

2.8 ____________ An ad showing a famous actor using a product is an example of the ad technique of using an expert to recommend a product.

BREAKING DOWN HEALTH INSURANCE CONTRIBUTIONS

Premium amounts, deductibles, and insurance coverage will differ depending on the plan. The best way to ensure you know exactly what is or is not covered by a plan is by reading the insurance policy. The summary of benefits in the policy typically provides a table with the most important information.

Some of the items you'll find in the summary of benefits include:

- Costs (premium, deductible, copays)
- Benefits
- Covered health care services
- Significant limits
- Exceptions to the coverage

If you take out a health insurance policy through your employer, the policy will also include the employer's contribution to the cost. With this information, you can calculate what your costs will be. Consider the following example.

For individuals whose employer pays part of the health insurance premium, the cost will be:

Cost = Premium – (Premium x Employer's Contribution Percentage)

EXAMPLE 1

Marie Stevens' health insurance premium is $300.00 a quarter. Her employer covers 50 percent of this premium.

What is Marie's cost?

Cost = Premium – (Premium x Employer's Contribution percentage)

$150.00 = $300.00 - ($300.00 x 0.50)

Understanding health care terms is important so you can get the coverage you need. Controlling costs is a major issue for most employers. If you have a POS or PPO plan, you may be responsible for a certain amount of medical costs before your insurance plan starts to pay. The amount you're responsible for before insurance pays is called a deductible.

If your plan's deductible is $1.500, you'll pay 100 percent of eligible health care expenses until the bills total $1,500. After that, you share any medical costs with your plan by paying coinsurance. Coinsurance is a way of saying you and your insurance carrier each pay a share of eligible costs that add up to 100 percent. So, if your coinsurance is 20 percent, you pay 20 percent of the cost of your medical bills and your health insurance plan will pay the other 80 percent.

Deductible amounts can vary greatly. A general rule of thumb is the higher the deductible, the lower your premium. There are four types of deductibles:

1. **Individual deductible:** This applies to individual health insurance plans and the individual must pay eligible medical costs begore insurance coverage begins.
2. **Family deductible:** If you have a family health insurance plan, the deductible applies to the entire family's medical expenses. So, if your family plan includes a spouse and children, any eligible costs for any family member go toward the deductible.
3. **High Deductible Health Plan (HDHP):** HDHPs typically have higher deductibles but come with lower monthly premiums.
4. **Low deductible health plan:** Low deductible plans have lower upfront cost, but monthly premiums are often higher.

Let's look at another example.

EXAMPLE 2

John Right broke his leg in an accidental fall. He has a deductible of $150.00 and a coinsurance payment equal to 20 percent of the cost less the deductible. The entire bill for medical services was $750.00. John's insurance company provided payment as follows:

The total medical bill $750.00 less the deductible of $150.00 was $600.00.
John also had responsibility for a 20% copayment of $600.00 or $120.00.
The total John pays is $270.00.
The insurance company paid $750.00 less $270.00 or $480.00.

When considering different health insurance plans, you'll need to think about whether an individual plan will work or if you need to include family members, and whether paying higher premiums is within your budget so you'll have a lower deductible to meet or if you'll need to pay lower monthly premiums and risk needing to pay more out-of-pocket medical costs until you meet the higher deductible.

Complete these activities.

3.16 Jack King pays a $496.00 premium annually. This represents 40% of the total premium. The rest of the premium is paid by his employer. Calculate the following:

a. the company's percentage: $______________
b. the total premium: $______________
c. the company's payment: $______________

3.17 Carl Major pays a $390.00 premium annually. This represents 30% of the total premium. The rest of the premium is paid by his employer. Calculate the following:

a. the company's percentage: $______________
b. the total premium: $______________
c. the company's payment: $______________

3.18 Harold Wagner pays a $325.00 premium annually. This represents 40% of the total premium. The rest of the premium is paid by his employer. Calculate the following:

a. the company's percentage: $______________
b. the total premium: $______________
c. the company's payment: $______________

3.19 Bill Campbell gets a student rate for medical insurance of $25.00 a month. There is a $250.00 deductible. He recently received treatment for a covered condition. The bill was $2,350.00. Bill's insurance company provided payment of 80% of the bill less the deductible. Calculate the following:

a. What was the insurance company's payment? $______________
b. What was Bill's share of the charge? $______________

3.20 Linda Frankell pays $50.00 a month for group health insurance. There is a $300.00 deductible. Her medical bills for the last year were $2,600.00. Linda's insurance company provided payment of 80% of the bills less the deductible. Calculate the following:

a. What was the insurance company's payment? $______________
b. What was Linda's total cost (including the monthly premium for the entire year)? $______________

3.21 Mary Hernandez had a policy with a $250.00 deductible which paid 80% of her covered charges less deductible. She had medical expenses of $18,240.00. Calculate the following:

a. the insurance company's payment: $______________
b. the 20% copayment: $______________
c. Mary's total cost: $______________

CHECK ______________ ______________
Teacher Date

EVALUATING FINANCIAL RESEARCH SOURCES

The internet has revolutionized the way people look for information, including financial information. For this reason, let's take a closer look at evaluating websites with financial information.

The internet makes it easy to shop online for car insurance or even a loan. You may also conduct an internet search for a financial topic, like mutual funds, and receive thousands of results. The internet makes it fast and easy to find a large amount of information. However, going onto the internet and finding reliable information that's aligned with ethical standards is a challenge— anyone can write and publish a web page! When you use a search engine to look for financial information, the results may include sites that are selling a product or representing a special interest. You must be extra careful to look at the person or organization behind the site before relying on their advice.

Many internet users mistakenly evaluate a website based on its visual appeal, such as color and layout, instead of looking at its content. There are several strategies for evaluating a website.

Look at the website address or URL. Site names ending in .edu are educational, site names ending in .org are nonprofit organizations, sites ending in .gov are government sites, and sites ending in .coms are commercial sites. If the Web address ends in .edu or .gov, it can generally be considered reliable because they are run by educational and government institutions and are evaluated for reliability. Sites ending in .org are often reliable, but it's still good practice to validate the information.

A URL ending in .com is commercial, meaning the purpose of the site is to sell a product or service. Because the purpose is to promote a product or service, information shared will likely be solely to meet that goal. This doesn't mean the information will never be valid, but that you should use evaluation strategies to assess it before believing it's true.

Complete these activities.

2.16 What is a website ending in .edu?

____

2.17 What is a website ending in .org?

____

2.18 What is a website ending in .gov?

____

2.19 What is a website ending in .com?

____

2.20 Write a one to two sentence response explaining which sites are the most reliable sources of information and why.

____

____

____

____

There are, however, some very straightforward and reliable websites. Some are very useful and worth adding to your list of favorite websites. Below is a brief description of several such good sites:

» The Investor Protection Trust (IPT) website (www.investorprotection.org) provides information to make informed investment decisions.

» The Financial Industry Regulatory Authority (FINRA) website (www.finra.org) offers information on a wide range of issues that affect your money and investments.

» The Securities and Exchange Commission (SEC) (www.sec.gov) provides information to help you invest wisely.

» Rutgers University (www.njaes.rutgers.edu/money) contains resources, courses, tools, and templates, including financial planning worksheets.

» The U.S. government offers information about financial education programs at MyMoney (www.mymoney.gov) as well as information about many other topics.

Relevance. When evaluating financial information, it's also important to consider relevance. Are you a young person who is brand new to investing and you're looking for information on where to start? Or what if you're an experienced investor looking for information on the performance of a product you believe will be a great product for a long-term investment. Or perhaps you're newly married and starting a family and would like to find information about good life insurance products. Or you are retiring from the workforce and looking for a combined life insurance and savings endowment. Each of these scenarios is quite different and even if the topics are the same—investing or life insurance—you would need information **relevant** to your situation to make an informed choice.

Information that is suitable for one person may not be suitable for you. For example, a financial advisor is likely to advise a person who is sixty-two to invest in low-risk investments. However, that financial advisor probably would not give this same advice to a person who is twenty-three. Check to make sure the information is age appropriate.

For another example, let's say you want to invest money now, but in two years, you'll use the money for college. Your situation is different from that of someone who is saving for retirement. Make sure the information you're seeking is suitable for your situation.

Relevant information is:

» appropriate for your age

» suitable for your situation

To make sure the information meets these criteria, take a thorough look at all the materials. Reading titles, headers, and tables of contents can also provide the details you need to assess the relevancy.

Now that you've had a chance to think about the difference between reliable information and unreliable information, let's compare sources and categorize them as reliable or unreliable.

Complete these activities. Write *R* for Reliable or *U* for Unreliable.

2.21 ____________ Jacob is 23 years old, and his employer doesn't offer insurance. He decides to research a health insurance marketplace. He visits Healthcare.gov to start his research.

2.22 ____________ Mary is signing up for health insurance for herself, her spouse, and her three children through her employer, but doesn't know if she should choose an HMO, PPO, or POS plan. An insurance agent who partners with her employer agrees to meet with her and talk her through the plan differences, explaining the pros and cons for Mary's situation.

2.23 ____________ Joe wants to start investing money in some high risk/high reward stocks. He wants to do the research and invest on his own rather than through a brokerage firm. He starts by following a guy he likes on social media, reading through his posts about different stock options. He gets excited about one post and decides to invest $5,000 in one stock.

2.24 ____________ Josue wants to file his own tax return, so he doesn't have to pay for a tax service. He has his own business selling custom banners and wants to research what he can write off for his business. He visits the website of a tax preparation services company and reads an article on filing taxes as a self-employed person. The article seems to have good information but shows a date of publication that's ten years old.

2.25 ____________ Finn just opened his first credit card. He received an email that looked like it was from his credit card company but asked him to respond with his social security number and checking account number, which the company told him they would never do. He decides to research email scams and visits the Federal Trade Commission website and searches for "scams."

2.26 ____________ Lucy and Garrett are ready to buy a home. They are researching mortgage lenders to find the best deal. They ask some of their friends which lenders they used and quickly choose one that sounds good.

2.27 ____________ Ted gets a flyer in the mail for a credit card that says, "Best rate in town!" He quickly applies for a credit card.

CHECK ______________ ________________
Teacher Date

CONSUMER LOANS

There are many types of loans people use for a variety of purposes. Some loans have a fixed interest rate (interest rate that stays the same) and some loans have **variable rates** (interest rates that may change). If you choose a loan with a variable rate, the interest rate may increase over the length of the loan. Sometimes the rate increases so much that it makes it difficult to make loan payments. Most people choose a **fixed rate** because they don't want to take the chance that the rate will increase.

Most loans are **installment loans**. This means they're paid in equal payments over a certain amount of time. Some loans are **secured loans**, and some are **unsecured loans**. A secured loan is a loan in which the lender requires collateral; if the loan is not paid back as agreed, the individual gives up the collateral to the lender. Unsecured loans are loans in which the lender does not require collateral. These are sometimes called personal or signature loans and may be used for personal expenses, such as education or medical expenses.

Sometimes another person may cosign for a loan. Having a responsible adult cosign a loan may improve your chance of being approved for the loan. However, when a person cosigns on a loan, the person is signing a legal contract. If the borrower does not repay the loan amount or makes late payments, it can affect the **cosigner's** credit report.

Mortgages. Mortgage is another way of saying home loan. Homes can be expensive, and therefore a mortgage is a loan for a large sum of money. Because mortgages are large loans, they are typically spread out over 15 to 30 years. There are many different types of mortgages with different terms, interest rates, and down payment requirements.

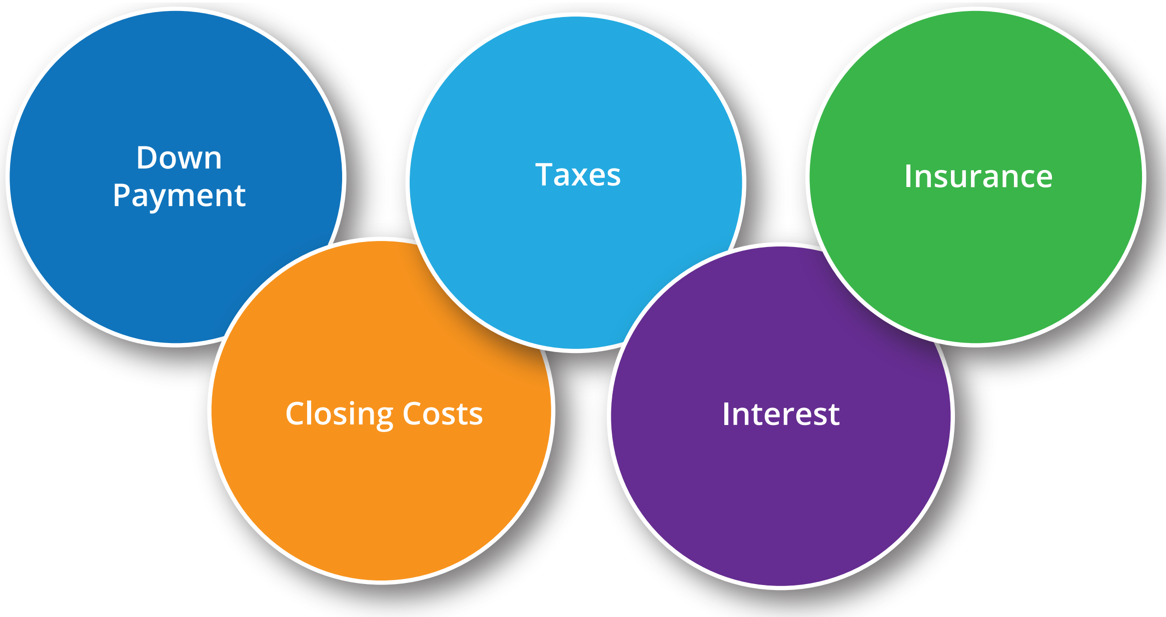
Here are some different mortgage types:

» **Traditional mortgage**—The traditional, or most popular, mortgages have a fixed interest rate and a loan period of thirty years.

» **ARM**—An ARM is an adjustable-rate mortgage. The rate is fixed for a certain amount of time, such as the first six months or two years. Then, the interest rate may increase. The rate adjusts periodically, perhaps every one or two years. For example, an ARM's interest rate may increase up to 2 percent each year and as much as 6 percent over the entire loan period. As you might guess, these types of loans are risky. You may be able to afford the original loan payment of $1,000 per month but add 6 percent to the interest rate and the loan payment each month is now $2,000—a big difference. Before obtaining an ARM, you would want to be confident that you can afford the highest possible payment.

» **Government-backed mortgages**—Government loans, such as FHA and VA loans, make it easier for some people to obtain a mortgage. They require a smaller down payment than traditional mortgages. They allow the individual to have a higher amount of debt and perhaps even borrow the down payment from a family member. For most loans, you are not allowed to borrow the down payment because you will have to pay back the money you borrowed, in addition to the monthly mortgage payment. The VA loans are for members of the military.

Mortgages, just like other loans, cost money. In addition to paying back the amount of money that was loaned to you, which is called the **principal**, there are additional costs associated with buying a home. These costs include down payment, closing costs, taxes, interest, and insurance.



Down payments are typically a set percentage of the cost of the home you want to buy. Typically, percentages range between 3 and 20 percent of the purchase price. Closing costs are fees associated with buying and finalizing your loan and are not included as part of your monthly mortgage payment.

These costs are typically paid as one lump sum when you sign paperwork for your home loan. They can include property taxes, broker and attorney fees, home inspection fees, title insurance, and many other items. Property tax amounts depend on the county and state of your home. The average national property tax rate is 0.99 percent.

Interest rates vary depending on the loan, but more of your payment will go toward interest at the beginning of your loan since your principal balance will be larger in the beginning. As you pay down your loan, you'll pay less interest since the principal balance will be smaller. Most mortgage lenders require PMI, or Private Mortgage Insurance, which protects the lender in case you are unable to make the payment on your loan and homeowner's insurance to cover any potential damage to the property.

Write *T* for True or *F* for False.

3.20 ____________ A traditional loan has a variable interest rate.

3.21 ____________ Mortgage loan terms are typically 15 to 30 years.

3.22 ____________ In an adjustable-rate mortgage, the rate is fixed for a certain period, then may increase.

3.23 ____________ FHA and VA loans require smaller down payments than traditional mortgages.

3.24 ____________ VA loans are available to anyone with good credit.

Complete these activities.

3.25 A down payment for most mortgages is typically __________ percent.

a. 1-2 b. 3-10 c. 10-15

3.26 __________ costs are fees associated with buying and finalizing your home loan.

a. Closing b. Insurance c. Taxes

3.27 List at least three of the costs that make up a mortgage payment.

____

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____

Auto Loans. A car loan or auto loan is used to purchase a new or used car. New cars can be purchased or leased. When you lease, you agree to make payments for a set number of years, and then return the vehicle. There are certain rules, such as a limit on the number of miles you can drive the car each year. When you purchase, you still make payments for a number of years, but in the end, you own the vehicle.

Cars are not considered investments like mortgages because they lose value over time. It's important to research the value of any car you are considering buying, new or used. A good resource is Kelley Blue Book, which has a website that can provide car values information for new or used cars. Once you know the average value of the vehicle you are interested in purchasing, you'll need to research potential loans. Auto dealerships work with lenders and can help you get financing, but rates are often higher than if you arrange financing through your own bank.

When comparing car loans, look at the APR, which will be used to calculate your monthly car payment. A low APR will keep your monthly payment lower.

Write *T* for True or *F* for False.

3.28 ____________ An auto loan can only be used to purchase new cars.

3.29 ____________ You should look at the APR when comparing car loans.

3.30 ____________ You can get an auto loan at your bank as well as at a car dealership.

3.31 ____________ A shorter auto loan period will lessen the amount of money you pay for your car.