

## Lesson 1: Getting Personal. You and Your Money

Hi Teachers, welcome to another “Teach the Teacher” podcast for “**The 21st Century Student’s Guide to Financial Literacy - Getting Personal**”. I’m Susan Mulcaire. I am recording these podcasts and making them available to teachers who are using this curriculum for their financial literacy course. The goal is to help teachers gain confidence and competence to teach this course. In this podcast, we’re exploring “**Lesson 1: Getting Personal. You and Your Money**”. This is the first of six lessons within our Unit 1 theme of **Earning an Income**. This lesson plan begins on page 2 of the Instructor’s Guide, so let’s turn to it now.

The **classroom slide references** are in the gray boxes to the right of the text and they can be found at [www.financialliteracylessons.com](http://www.financialliteracylessons.com). Remember that is the dedicated website for this course -- even though the book refers to a c21 site. We realized that there was too much information to include in the c21 site so we made one specifically for this course.

In the last podcast, I advised that the 5-day **pacing guide** is really just to provide you with “some” guidance for planning instruction. It’s likely that everyone teaching this course has a different amount of instructional time allotted, and are working on a different schedule, so it’s hard to come up with a standard guide. I separated the lesson segments so you can move topics around, combine topics and activities, or assign some things as at-home work if you don’t have time to conquer them in the classroom. There are activities that are encouraged but they are optional: for example, the **Blog-Debate-Persuade** activities are listed as optional, but I highly recommend that you at least introduce your students to the topics. If you are short on instructional time, the practice activities are easily done on student time.

Let’s move down the page to **Supplemental Resources** for this lesson. The Pew Research Center’s income calculator is the resource used in this lesson. Pew, in general is just a really great resource for teaching fin lit and any kind of economic course. You can go directly to the Pew site or link to it from the Lesson Resources page on our website. If you have a chance to explore the Pew Income Calculator **with students** I encourage you to do so. It’s a great way for students to examine income and income patterns around the US, and compare their **personal demographic profile** with other’s around the country, which they will undoubtedly find of interest.

The other Lesson Supplemental Resource is **Investopedia**, which is at Investopedia.com. This is a resource that students should become familiar with for this course or if they plan to take an econ or business course in the future.

Let’s move down to the vocabulary list: **What Does That Mean?** The majority of the 18 vocab words in the lesson or chapter are income-related - after all this is the start of our earning an income thematic unit. Students probably hear these terms all the time. For example they may hear the term **middle class** frequently, and they probably take these words for granted and assume that, because they hear them all the time they know what they mean. The vocabulary list definitions are **real life definitions used in socio-economics** to understand and define the structures, divisions and characteristics of the US economy, so students should be encouraged to actually read the definitions and not

assume that because they hear these words all the time, they know the correct usage of the word within the science of socio-economics.

Moving to the **Lesson Objectives** on page 3. As a general comment about the objectives and learning goals, please assure your students that although there is a lot of material in the course, most of it is easy to understand. There are only a couple of places in this course where students may struggle to understand something. I will point those things out to you as we go through the lesson plans in these podcasts. For the most part, the beauty of basic financial literacy is that it's factual -- it doesn't require a lot of deep analysis or critical thought, so it shouldn't be hard for students to master this content. There's just a lot of it!

Let's move on to **Gaining Attention** on page 4. When I designed this course, I wanted to start each lesson with kind of a fun introductory, participatory activity. For this lesson we begin with a survey asking students to imagine their lives and lifestyles in 20 or so years: will they be **wealthy or moderately wealthy? Super wealthy?** Will they be living in **poverty** or living **paycheck to paycheck?** I hope with all my heart that they succeed beyond their wildest dreams! But, the cold reality is, statistics show, that to live even a "C" lifestyle takes a great deal of income and effort. Most people in this country are living a "D" lifestyle: a **paycheck-to-paycheck lifestyle**. Unfortunately also, there are far too many people in this country living an E lifestyle -- that is living in poverty. But that really is a subject for a different course. This course won't make students super rich or rich, but **financial literacy skills are essential to avoid a life of D or E.**

We move on to a brief discussion of the meaning of **financial literacy**: students should start contemplating that **money works on multiple levels**. In this course, we're examining **personal finance**, which is how money works on an individual and personal level. There exists, however, a whole other aspect of financial literacy: **how money works out in the world**. Commerce, trade currency, innovation, business, and entrepreneurship is fueled by **money**. How money works in the world, on a larger scale is a really important aspect of financial literacy. We cover those topics in the "**The 21st Century Student's Guide to Financial Literacy - Going Global**". The skills students learn in this course are, more or less, **life skills**. The Going Global program is, more or less, a **career-related program**. These topics are opposite sides of the same financial literacy coin and, in my opinion, **equally important aspects of financial literacy**.

It's also important for students to recognize and start wrapping their heads around how **relevant** the information in this course is to them. Money, their ability to make money, and their ability to manage money will impact them for their entire lives. It only gets more important as they get older.

There's a brief examination of the course themes on page 4 which you can read on your own.

Let's move over to page 5 and start with Roman numeral 2: **What is income? Income**: income is a relatively simple concept (unless of course you're a tax attorney or accountant). In this lesson, we learn that income is the money you earn from working. It can be a salary, it can be an hourly wage, it includes tips and commissions. The point students need to understand about income is that it's generally **regular and immediate**. For example, if you work, you normally receive your paycheck within a few days and

you're paid on a regular basis. If your job ends, so does your income. There are other forms of income such as award money and money from investments but for this course and this lesson, our focus is on earnings from a job.

What people earn, how much they earn, when they earn it, and by whom they earn it is important. Data about income provides insight into the economic health of the nation and it enables government and private industry to make **economic projections, plans, and policies**. That's why the government is always collecting data about income and earnings through agencies such as the Bureau of Labor Statistics that we use in this lesson. The US government and private economics groups/institutions track a variety of types of income and they look at income from every which way. (See the box on the lower half of page 5 for examples.)

Students will be most familiar with the terms **household income** and **median income**. Median income is tracked by the federal government and it's also tracked by each state. For example, the median income in Maryland is over 70k dollars and the median income in Mississippi is just less than 40k dollars, so there can be **wide disparities between median incomes between states**.

I want to dwell on income just a little bit longer: income is an important concept because it determines a lot about life: it tells you, well, first of all, how much you'll pay in taxes. It expands or limits the kind of places you can afford to live in. it also **correlates highly with education and opportunity for building wealth and social mobility**. Taking an aside here on social mobility, some students might not quite understand the meaning or purpose of social mobility but it is a word used in socio-economics to refer to the ability to move up between classes in society which makes your life better: to move to a better neighborhood, get a better education, better healthcare, and afford quality-of-life items. **Social mobility** refers to the ability to improve your lot in life and income has a lot to do with this.

Now turn to page 6. Let's look at income and class in America. Some students might chafe at the word "**class**". But in this context, in the context of **socio-economics**, class **is the term** used to separate and categorize the population by income levels. It is how economists study income so that problems can be identified and policies and programs designed to target those problems. America is divided into **lower income, middle income, and upper class(es)**. And each of those are **subdivided** into smaller divisions. For example, the middle class consists of the upper middle class and the lower middle class.

On page 6 to the left of the graphic the income classes are summarized with some **general earnings and education statistics**. The graphic on the right side is pretty easy to understand. It's a simple visual representation of the income classes. Students should have the ability to list the general features of the socio-economic classes to meet the lesson objective. Another objective is to be able to understand the significance of the **federal poverty line**. The content for that is on pages 6 and 7.

I want to say a word about the **middle class**. This is not in the student workbook, but if you can point this out to students, it would be a benefit to them. The middle class is an important part of the American economy. Private and government economists focus relentlessly on the middle class. They watch to see whether it's growing or whether it's

shrinking, or whether middle incomes are rising or falling. The middle class is very important -- It's kind of the **barometer of the economic health of the country**.

Most importantly they are spenders - they are **consumers**. The middle class is the backbone of a **consumerist society** and America is a consumerist society. The middle class consumes and that puts money into our economy. The middle class also provides the labor and services that keep businesses operating. That's one reason why students hear so frequently about the middle class whether it's in **financial news** or in **political dialogue**. There is always talk/news about middle class jobs, middle class values, middle class wages. Keeping an eye on the middle class income and employment numbers is very important.

Another theme that runs through this course which I've tried to reiterate as much as possible is the undeniable and **very strong link between education and income**. Students may have some idea that there's a kind of back door to the income club or that there's some quick get rich scheme -- but there is not, unless you're very lucky. For the majority of people who have made it into the upper class or the upper middle class, **they got there by relentless pursuit of education and career skills that ultimately paid off**. Education is very important for income.

At this point in the lesson, if you check for understanding, students should be able to tell you what **income** is, they should be able to describe the income **classes and subdivisions**, and tell some of the traits and characteristics of each. And they should be able to describe **comprehensive financial literacy**.

Now let's turn to page 7: **What is wealth?**

Most people lump wealth and income together, but they're actually two very different things. One of the objectives of this lesson is that students understand this. They understand that income is what you earn from a job: wages or salary. Income, as you'll recall, is regular and fairly immediate. Wealth is built from income. Wealth is the value of the stuff you acquired from income -- such as investments, savings, or a home. Those are the things that build wealth. Wealth, unlike income, is not regular and is certainly not immediate. It can take a long time to build wealth.

Another important distinction between wealth and income is that income increases by having good career skills and by making an increasingly better salary or higher wage. Wealth, on the other hand, is built by good management of the money you earn. You can make a very high salary, if you don't have good money management skills, you won't build wealth. You must use a portion of your income to acquire stuff that holds or increases in value over time. In other words: invest and buy things that will hold value for the future.

Another important thing for students to understand is that wealth, more than income, provides all those goodies in life -- the things that make a difference in your quality of life, like the ability to have better medical care or the ability to afford to live in a nicer neighborhood. Wealth provides financial security and the ability to sleep at night not worried about whether you can pay the rent or mortgage or make your car payment if you get sick or lose your job. Wealth is essential for building long-term **financial stability**. The recognition of this link between wealth and financial stability/security is an objective of the lesson.

Moving on to page 8: **Wealth-building as a Job**. Another concept I repeat throughout this course is to encourage students to think of **building wealth as their future second job**. The goal of education is to prepare them for a career. Education provides them with the skills to earn an income and that's great! But when they have a job and they're earning an income, they will have another job: **to build a portion of their income into wealth**.

Alright, when you check for understanding, students should be able to tell you the **differences between income and wealth**, they should be able to tell you that **money management is key to building income into wealth**. They should be able to explain the **importance of building wealth** and **wealth's connection to long-term financial security**.

Finally we have the Big Picture on page 8 -- this is a read aloud. Activity A. The Saga of Eloise and Franklin which is an activity to demonstrate the importance of money management and using income to build wealth. Activity B: Income, Earning and Class in America; Activity C is our Debate-Persuade-Inform and is a current hot topic -- and probably long term hot topic: The Gender-Pay Gap: Myth or Reality.

The curated tech for that topic is Sweet Search. This is one of my favorites. It's a research database with articles that have been curated and approved by librarians. It's kind of like research with training wheels, and I highly recommend it. You're not going to find any fake news or fake publications on that site, so it jumps students forward to some very reliable articles. Activity D, the Chapter Quiz will probably take about 15-20 minutes. **Ponder and Predict** is intended to get students contemplating some aspect of the next lesson.

Finally, there's a **blog question**. The blog activity requires some level of participation by students on an easy topic or short answer. This one asks whether, when they're earning an income, they will be a disciplined saver and wealth builder, or are more likely to spend their money as fast or faster than they make it.

That's it for this Lesson 1 Teach the Teacher podcast. Thank you very much for joining me and I'll see you next time when we move on to the **Battle of the Banks**.