

## **UNIT 16 – PLANNING FOR LIVING AND LEISURE (7 Days)**

Once students have learned how to create a budget that includes setting aside money for long-term goals as well as day-to-day expenses, and have learned in general terms about comparison shopping, contracts, sources of reliable information, and consumer protection, they need more specific information about major household expenses such as rent or mortgage, utilities and a vehicle, and their associated rental and sales contracts.

### **EPF.11 The student will demonstrate knowledge of planning for living and leisure expenses by**

***a) comparing the costs and benefits purchasing vs. leasing a vehicle***  
**(BUS6120.089)**

Day 1 Purchase or lease a vehicle?

### **EPF.11 The student will demonstrate knowledge of planning for living a leisure expenses by**

***b) comparing the advantages and disadvantages of renting vs. purchasing a home***  
**(BUS6120.090)**

Day 1 Purchase or rent a home?

### **EPF.11 The student will demonstrate knowledge of planning for living and leisure expenses by**

***c) describing the process of renting housing***  
**(BUS6120.091)**

Day 1 Going through a standard rental/lease agreement

### **EPF.11 The student will demonstrate knowledge of planning for living and leisure expenses by**

***d) describing the process of purchasing a home***  
**(BUS6120.092)**

Day 1 Main points of the purchase process

### **EPF.11 The student will demonstrate knowledge of planning for living and leisure expenses by**

***e) calculating the costs of utilities, services, maintenance and other housing expenses***  
**(BUS6120.093)**

Day 1 Household expenses beyond the rent or mortgage

### **EPF.11 The student will demonstrate knowledge of planning for living and leisure expenses by**

***f) evaluating discretionary spending decisions***  
**(BUS6120.094)**

Day 1 Understanding discretionary spending

## **Evaluation Day**

**EPF.11 The student will demonstrate knowledge of planning for living and leisure expenses**

**by**

***a) comparing the costs and benefits purchasing vs. leasing a vehicle***

## **Day 1 - Purchase or lease a vehicle?**

### **Content Knowledge**

A vehicle is often the first major purchase a student makes. It will be valuable for the student to learn the types of questions that should be asked or researched so that they can weigh the costs and benefits of purchasing a vehicle. They should also recognize that leasing a vehicle is an option and should be able to weigh the costs and benefits of this approach for their situation.

#### **Virginia Board of Education Framework**

Considerations in purchasing or leasing a vehicle may include

- Performance
- Safety
- Odometer mileage
- Average miles driven annually
- Fuel consumption
- Size
- Appearance
- Price/payment limit
- Insurance costs, taxes, and maintenance
- Options/features
- Warranty
- Depreciation and resale.

Consumers should identify several alternative vehicles, including new and used.

Consumers should gather information and test-drive multiple vehicles. Consumers should compare each alternative to the criteria established to determine which vehicles best meet them, keeping in mind that not all criteria are equally important.

Information should include both subjective resources (e.g., advertisements, sales representatives) and objective resources (e.g., statistically based research)

### **Teaching Tips**

1) Using local auto dealers, collect information on some basic vehicles with popular features. Have dealers provide information on purchase vs. lease, as well as the features of the lease. Financing of a purchase should be comparable in length to the term of the lease.

2) Using PACED decision grid, have students do a comparison of the lease vs. purchase of a vehicle of their choice. Students should be able to justify their decision using the criteria they select.

3) A PACED decision grid can be used to decide what car to buy with each student deciding what criteria is most important for them. Based on their research as to what is available, they should narrow their choices to two or three and decide which one they would purchase based on the criteria they had established as important.

## **Lessons and Resources**

Financial Fitness for Life: Grades 9-12 Lesson 20: What's the Cost of Spending and Saving?

Mathematics and Economics: Connections for Life – 9 – 12 Lesson 12: Autonomics

The Road Ahead: Can You Afford Your Dream Car? – lesson plan

<https://www.nh.gov/banking/consumer-assistance/documents/the-road-ahead-home.pdf>

Cars, Cards, and Currency Lesson 4: The Car Deal Package. St. Louis Fed,  
<https://www.stlouisfed.org/~media/Education/Curriculum/pdf/Cards-Cars-and-Currency-Complete-Unit.pdf>

PACED Decision Grid

[https://www.econedlink.org/wp-content/uploads/legacy/584\\_decision%20making%20grid1.pdf](https://www.econedlink.org/wp-content/uploads/legacy/584_decision%20making%20grid1.pdf)

Look Before You Lease – Federal Trade Commission Consumer Alert Bulletin

<http://www.ftc.gov/bcp/edu/pubs/consumer/alerts/alt005.shtm>

Lease or Buy A Car – Calculator

<http://www.smartmoney.com/calculator/autos/buy-or-lease-a-car-1302833645461/>

**EPF.11 The student will demonstrate knowledge of planning for living a leisure expenses by**  
*b) comparing the advantages and disadvantages of renting vs. purchasing a home*

## **Day 1 - Purchase or rent a home?**

### **Content Knowledge**

Purchasing a home is the largest financial decision many people make. Regardless of rent or purchase, paying for your shelter is a significant portion of a household budget.

#### **Virginia Board of Education Framework**

The benefits of renting include

- Less initial capital outlay
- Increased mobility
- Fewer maintenance
- No property taxes

The costs of renting include

- Building no equity
- No tax deduction for interest paid
- Limited ability or incentive to upgrade

The benefits of buying a home include

- Possibility of building equity
- Right to deduct interest on Federal Income tax
- Opportunity to personalize to own taste

The costs of buying a home generally include

- Down payment
- Property taxes
- Maintenance of structure and yard
- Limited mobility

### **Teaching Tips**

1) Gather information ahead of time on different levels of housing (both purchased and rented) in the community. Local financial institutions could be utilized by providing example mortgage payments (30-year, 20-year, 15-year, etc.) assuming a 10% down payment and acceptable credit rating.

2) Provide the accumulated information to students. Place a PACED Model grid where all students can see it. Have the students select two comparable housing choices – one apartment to rent, one house to purchase. Both should have a similar number of bedrooms and bathrooms. Have students suggest criteria for evaluation. (Be sure to include “size of payment” and “build equity” as two of the criteria.)

Have students use the PACED decision grid to make a selection. Each student should be allowed to make and defend their own decision, based on their evaluation of the alternatives using the criteria.

## **Lessons and Resources**

Personal Decision Making: Focus on Economics Lesson 2: Applying a Decision Making Model, and Lesson 11: Housing: Deciding to Rent or Buy

*PACED Decision Grid*

[https://www.econedlink.org/wp-content/uploads/legacy/584\\_decision%20making%20grid1.pdf](https://www.econedlink.org/wp-content/uploads/legacy/584_decision%20making%20grid1.pdf)

Is it Better to Buy or Rent a Home – Calculator

<http://www.nytimes.com/interactive/business/buy-rent-calculator.html>

First Time Home Buyers Guide

<https://themortgagereports.com/first-time-home-buyers-guide>

*Video*

Khan academy on renting vs buying (11:37)

<https://www.khanacademy.org/economics-finance-domain/core-finance/housing/renting-v-buying/v/renting-versus-buying-a-home>

**EPF.11 The student will demonstrate knowledge of planning for living and leisure expenses by**  
*c) describing the process of renting housing*

## **Day 1 - Going through a standard rental/lease agreement**

### **Content Knowledge**

Regardless of their preferences, many students will rent an apartment as their first independent living experience.

#### **Vocabulary**

**Monthly Payment** – The amount of money paid to a landlord by the renter for use of the rented property.

**Renters Insurance** – An insurance policy, similar to homeowner’s insurance that protects a renter from loss due to theft, fire or other events.

**Security Deposit** – An amount of money paid in advance of a rental as a guarantee against non-payment of rent or damage by the renter.

#### **Virginia Board of Education Framework**

The first step in a decision model in selecting rental housing is to list alternatives (options).

The second step is establishing criteria, which should be stated in positive terms such as

- the monthly payment is no more than the budget allows
- the property is conveniently located (to work, school, public transportation, shopping, friends, family)
- the property has enough space
- the property has amenities.

Criteria are personal; each person decides what factors are important. Individuals should visit all properties that appear to meet the criteria

Additional factors for consideration include

- the renter’s credit score
- the specifics of each rental agreement
- rental inspections
- landlord/tenant responsibilities
- estimated moving expenses and installation charges

Selection of a rental property is made when the renter decides which alternative best meets the established criteria.

### **Teaching Tips**

1) If there are apartment complexes nearby, the teacher may want to ask if a copy of the lease could be used in class. If that is not an option, there are a number of standard lease forms available online. Secure copies of several leases. Provide copies for the students or place enlarged copies where they can be seen.

2) Have students compare basic aspects of the lease including monthly payment, security deposit, responsibility for utilities, liability for damages, and loss due to theft, fire, etc.

## **Lessons and Resources**

Virtual Economics: Insurance Lessons Lesson 4: Why Renter's Insurance?

Virginia Office of Consumer Affairs – Landlord Tenant FAQ

[https://www.oag.state.va.us/index.php?option=com\\_content&view=article&id=634](https://www.oag.state.va.us/index.php?option=com_content&view=article&id=634)

Free Landlord forms – including rental leases/agreements

<http://www.thelpa.com/lpa/free-forms.html>

**EPF.11 The student will demonstrate knowledge of planning for living and leisure expenses by**  
*d) describing the process of purchasing a home*

## **Day 1 - Main points of the purchase process**

### **Content Knowledge**

Buying a home includes choosing a home, signing a contract, securing a down payment, financing the home, and identifying other costs associated with the purchase and ownership of the home.<sup>1</sup> The down payment can significantly affect the size of the mortgage payment and homeowners insurance which is required in many states to secure the mortgage loan.

#### **Vocabulary**

**Down Payment** – A portion of the purchase price that is paid in advance to secure some equity in the purchased property and minimize default.

**Mortgage** – An agreement to borrow funds to purchase real property. The loan is then repaid over time, with interest through a series of monthly payments.

**Homeowners Insurance** – An insurance policy that protects the homeowner from financial loss in the event of theft, fire or other misfortunes.

#### **Virginia Board of Education Framework**

The buyer can use a decision model, which includes the step of establishing criteria, stated in positive terms such as

- the home is in a desirable location
- the monthly payment is no more than the budget allows
- the home is convenient (to work, school, bus routes, friends, family)
- the home has enough space
- the home has good expected resale value
- property taxes, insurance costs, utility costs, community fees, and estimated maintenance costs fit in the buyer's budget.

Criteria are personal; each person decides what factors are important. Individuals should visit all properties that appear to meet the criteria.

The process of purchasing a home also includes

- submitting to a credit check
- making a down payment
- obtaining homeowners insurance
- securing financing

### **Teaching Tips**

- 1) The teacher should reference students' goals and budgets with respect to saving for a down payment.
- 2) The teacher may want to ask a licensed realtor to discuss the process of home buying.

## **Lessons and Resources**

Your Credit Counts Challenge: Trainer's Guide Section 4: A Roof Over Your Head

Teaching Financial Crises Lesson 6: The Role of Housing in the Financial Crisis 2007 - 2009

Buying a Home (Calculator)

<http://openpossibilities.nbcuni.com/calculator-categories/buying-home>

*Video*

Khan academy on types of mortgages (14:17)

<http://www.khanacademy.org/video/mortgage-interest-rates?playlist=Finance>

**EPF.11 The student will demonstrate knowledge of planning for living and leisure expenses by**

***e) Calculating the costs of utilities, services, maintenance and other housing expenses***

## **Day 1 - Household expenses beyond the rent or mortgage**

### **Content Knowledge**

There's more to owning a home than just making the mortgage payments.

#### **Vocabulary**

**Insurance** – A contract that allows one party to make regular payments over time in return for payments that cover certain types of losses.

**Property Taxes** – Taxes paid to a governmental unit, based on the value of piece of real or personal property.

**Utilities** – Electricity, gas, water, sewer, waste disposal and other services.

#### **Virginia Board of Education Framework**

Some expenses related to utilities include

- installation
- deposits
- monthly payments for service
- equipment maintenance and repairs related to electricity, gas, oil, water, cable, Internet service, and telephone

Additional costs to be considered include

- homeowners insurance
- property taxes
- appliances and furniture
- maintenance (e.g., painting, carpet cleaning/repair, plumbing)
- equipment
- supplies

### **Teaching Tips**

1) Have students research rates and information to service a home. This should include insurance, property taxes, and utility costs. A table should be created showing different insurance rates. The same can be done for other contracted services such as waste disposal, phone/internet/cable, etc.

2) Have students review their budgets. Verify that reasonable estimates of these expenses have been used.

### **Lessons and Resources**

Estimating Electric Bill calculator

<https://www.electricitybillcalculator.com/>

Property Tax 101

<https://www.propertytax101.org/virginia/taxcalculator>

Costs and Benefits of Renters and Homeowners Insurance

<https://njaes.rutgers.edu/money/pdfs/lesson-plans/DoE-Lesson-Plan-15-The-Costs-and-Benefits-of-Renters-and-Homeowners-Insurance.pdf>

**EPF.11 The student will demonstrate knowledge of planning for living and leisure expenses by**  
*f) evaluating discretionary spending decisions*

## **Day 1 - Understanding discretionary spending**

### **Content Knowledge**

It's easy to think of some services as necessary until one realizes that others are more necessary.

#### **Virginia Board of Education Framework**

Discretionary spending is spending for goods and services beyond the essentials of food, shelter, and clothing.

Discretionary spending allows consumers freedom of choice in what to purchase and how much to spend on such things as education, health care, entertainment, transportation, and communication technology.

Consumers can weigh costs and benefits of alternative spending choices.

Consumers can use decision models to clarify choices.

Consumers can consider saving as an alternative to current spending.

### **Teaching Tips**

1) Students should compare discretionary spending categories to necessary spending categories (utilities, insurance, etc.).

2) Lead a discussion comparing the satisfaction of purchasing less essential discretionary items in contrast with the satisfaction of achieving long term goals. How long does the pleasure of buying new clothes, or going out to eat, last? How long does the satisfaction of owning one's own home last? Reiterate the strategy of keeping one's long term goals in view, to counter the desire for immediate gratification.

### **Lessons and Resources**

[Your Credit Counts Challenge: Trainer's Guide](#) Section One: Income and Choices

Making Personal Finance Decisions (lesson series) Unit 5: Budgeting

<https://www.mcee.umn.edu/sites/mcee.umn.edu/files/mpfd2016.pdf>

Budget Game: Living on a twenty square salary

<http://ohiotreasurer.gov/Documents/CMS/BudgetGame8%205x11.pdf>

Spending Plan worksheet

[http://anniesproject.rutgers.edu/ap\\_2012winter\\_presentations\\_wk6/ap2012w\\_wk6\\_ho\\_spending\\_plan\\_wksht.pdf](http://anniesproject.rutgers.edu/ap_2012winter_presentations_wk6/ap2012w_wk6_ho_spending_plan_wksht.pdf)

ATM/Credit Card/Cash tracker

<https://njaes.rutgers.edu/money/pdfs/expense-tracker.pdf>

## **EVALUATION DAY**