



Curriculum Units by Fellows of the Yale-New Haven Teachers Institute
1982 Volume VI: The Changing American Family: Historical and Comparative Perspectives

Family Finances

Curriculum Unit 82.06.13
by Joyce Bryant

This unit on family finances is intended for use with seventh and eighth grade students. However, the material may be appropriate for elementary and high school. It is the instructor who can best judge its usability.

The family is a basic social unit and most families do have a core of parents and children. There are seven C's of family. In family living, *cooperation* is important. It means that every family member has a position and fulfills the duties it implies. Each respects other members of the family. Cooperation is a two way deal, you give a little, take a little and everybody benefits. *Communication* channels should always be open. Two-way communication helps a family avoid misunderstandings and hurt feelings. Some families keep communication lines open by setting aside a special time when everyone can get together to exchange ideas and contribute to decision making. Other families get together casually as problems arise. However they go about it, families need to get problems out in the open. In a healthy family atmosphere, the channels of communication are always open. Communication is always easier when family members share interests.

Confidence is honesty, trust and dependability. Confidence of family members grows as each shows that he or she possesses these above characteristics. If a family member needs to talk to someone outside the family a friend or a professionally trained counselor should be used. Such a person can be trusted to treat the family's problems confidentially. Any member of a family may from time to time find his or her load too heavy to bear alone. At such times it is support and *concern* that is shown by other family members which makes each one feel a worthwhile part of the family. The concern which family members show for one another is an indication of the strength of a family.

Commitment is the acceptance of a charge or trust. In family life this means the acceptance of lifetime concern for other family members, acceptance of all the burdens and joys which come to the family. Parents generally understand that commitment is necessary for happy family living. Everybody likes to feel independent to some degree, but in family groups which are committed to the well-being of the family, everyone pulls together during life's difficult times.

Teenagers think of *companionship* as the paring off of two people in a friendship. They see their parents as companions of one another and feel that they must look beyond the family circle for companionship. In one way this is right. In the search for companionship, many friendships outside the home are usually desirable. There is a companionship within the home which members of families experience. Certainly there is companionship in family life and the family which shares with each in this form of companionship knows a

great deal of the happiness family life can bring.

Consideration, as applied to family living, means that family members are thoughtful of the rights and feelings of others. Perhaps, if there is one place where children as a group fail in their contribution to family living, it is in consideration. This may be caused by thoughtlessness. Family members are considerate when they sympathize with others who are in trouble. When their concern is deeper than sympathy, they have empathy. This means that they understand how other family members feel.

Different families have different resources. For example, their incomes vary. Money usually comes to the family as wages or salary earned by family members. The ways in which the family spends its money often make the difference between a successful family and one which founders.

The family with an eight-thousand-dollar annual income lives quite differently from the one with a twenty-thousand-dollar annual income. Family possessions are different, too. Some families depend upon social agencies for their money, such as to families with dependent children and welfare.

For many people, money is the biggest source of trouble in life. Some people will do without true necessities to save money, but others spend their money as soon as they get it, with no thought for future needs. Like time and energy, money is a basic resource which can be used poorly or well. It is valuable because it can buy goods and services. Individual goals affect people's attitudes toward money. The ease with which money can be obtained is also a factor in each person's attitude. Money may be spent freely when jobs are plentiful. But a business change that makes jobs hard to find may change a family's spending habits. People who think of money in relation to the time and energy they must spend to earn it will probably have a different attitude than people who think of the things that money can buy.

At some time in their lives, most people must consider the basic question about money: "How can I get money I need?" People work to earn money. Time and energy is spent to furnish goods or services that other people buy. Most families depend on the money they earn from their jobs for their basic income.

Teenagers within the family have to consider special sources of income as they plan to spend their personal money resources. They are given money from the family income and they may earn extra money for special jobs or receive it as a gift. Many teenagers operate on an allowance. Some parents feel that an allowance gives a teenager a chance to learn basic responsibilities that go along with money management. The size of the allowance depends upon the individual situation and the goods and services it is expected to provide. The number of people in the family and the total family income need to be considered in determining each allowance. The age of family members and individual needs usually affect the amount of the allowance. Family needs and goals will help determine the items each allowance is expected to cover. Money is valuable because of its buying power, and its function as a credit-establishing commodity, not to mention its use in obtaining security. The reason for learning how to spend it wisely is to make life more satisfying. It is equally as important to know how to spend money as it is to earn it.

In order to be able to spend money wisely the family should devise a spending plan. Some people appear to be afraid of the idea of planning how to spend their money. They may fear that such planning will prevent them from using their money as they wish. Having a spending plan is a way of using available money to reach the family's goals. The spending plan should agree with the actual income. If the plan does not agree an adjustment should be made.

A realistic spending plan for managing the family's income will begin with a list of available resources. The list

should include the sources of income, the amount of money from each source, and the times when each amount can be expected.

A spending plan is known as a budget and a budget should give a clear picture of where the family stands financially. The basic budget is a four-point plan for spending.

1. Spending for comfortable daily living. This includes having enough money on hand to pay for basic items that keep the family going from day to day.

2. Spending for major purchases.

Major purchases includes household appliances, a house, car, or special vacation.

3. Spending for financial security.

Savings accounts, insurance, and investment are a form of spending and one of the most rewarding. The family is buying peace of mind, and the ability to borrow money inexpensively. It is getting extra value for every dollar spent. The family receives interest from the bank, insurance companies and corporations for placing their dollars with them.

4. Splurge spending.

There is an occasional “throw caution to the winds” buy in each of us. With splurge spending the family can dine at a superb restaurant; go to an unplanned baseball game. Keep splurge spending in proportion to the overall budget.

There is a check list to begin the family’s budget.

1. Open a checking account.

2. Start a savings account.

3. Total net income (income after taxes) 4. List all expenses (those that are constant, those that can change).

Opening a Checking Account

Your budget will work best if your money is where you need it when you need it. Checking accounts have several advantages. The family will not have to keep a lot of cash in the home. Cash in the hand has a habit of dribbling away, and there is always the danger of theft. Checks are a convenient way of paying bills and they are a written way of how and where the money was spent. They also serve as receipts of payment.

Paying bills and making purchases by check instead of cash has it advantages: you don’t have to carry around

lots of money; you can send checks by mail with no danger of loss if the check fails to reach its destination; your cancelled check is an automatic record of payment in case there is a misunderstanding; and cancelled checks are valuable records of income tax deduction claims. All in all, checks are safer and more convenient than cash in many cases.

There are two kinds of checking accounts: special and regular. The best one for you will depend on how many checks you write in an average month and the amount of money you keep on deposit in your account.

When you have a special checking account, you pay a fee for each check you write. Usually this is 15¢ per check. You may also be charged a monthly service fee of about \$3.00.

When you have a regular checking account, no fees are charged as long as the balance on deposit earns enough income for the bank to cover the service costs. Some banks may charge a monthly maintenance fee or add a service charge for transactions (deposits and withdrawals) beyond a specified number. For example, the bank may allow you to write ten checks per month at no charge; for all checks written in excess of ten there will be a small fee.

Which kind of account is best depends on you. If you have to write only a few checks per month, a special checking account is usually cheaper. However, if you write ten or more checks a month regularly, a regular checking account may save you money. Since charges vary from bank to bank, and from community to community, you should investigate several banks to see which offers the best arrangements.

Whether you have a regular account or a special, here are some suggestions for using this service:.

1. Be sure you do not write checks totaling more money than you have in the account. This sounds elementary, but people do it frequently, simply because they forget the next rule.
2. Always enter the amount of the check and to whom it is being paid on your check stub before writing the check itself, and keep an up-to-date calculation of the balance left in the account. This means that your check stubs will record each deposit you make, and the amount of each check will be subtracted from the balance on hand.
3. Avoid writing checks to "cash" or "bearer". There are two good reasons for this rule: (a) you have no record as to what you used the money for when you write checks to "cash" and (b) anyone can cash such a check, so if you lose it, someone can pick it up and cash it without your knowing. So always make your check payable to a specific person or to a specific organization.
4. Learn to use your checkbook as an "instant" record of how much you are spending, for what, and how much you have left to spend before the next paycheck comes along. After you acquire some experience in spending and in using your checking account, you can do as many people do: use your checkbook as a running budget to manage your spending.

Your checking account will serve as your personal accounting system. Every month or two you will receive a statement from the bank itemizing your transactions and showing the balance left in your account. With the statement will come all your cancelled checks which have cleared the bank by the time your statement was

prepared. When you receive your statement compare your checkbook calculations with the banks calculations.

Opening a Savings Account

A savings account is most helpful. The family collects interest on the money in their savings account.

Your success as a saver will indicate your success as a money manager. A savings account furnishes a way to separate money from the general flow of your day-to-day spending so that it can accumulate for emergencies and for your long-range plans, while at the same time earning for you by drawing interest.

Saving money is simple in theory, but seldom simple in practice. You have to make up your mind you are going to saver and stick to it. Here are some suggestions that may help:

1. Set specific saving goals: a new car, a stereo, college tuition, a vacation trip—whatever you would like to have in the future. You will find it is easier to save regularly when you know exactly what you are saving for.
2. Pay yourself first. With each paycheck, set aside a certain amount in your savings account. Do it regularly; put aside as much as you can, but don't overdo so that saving becomes a burden. A little saved regularly is better in the long run than larger sums saved sporadically.
3. Select a saving institution that pays a favorable rate of interest. In this way, your money will be working for you as it earns interest. Your account will grow faster, and you will achieve your "wants" more quickly.

Over a period of time, the interest rate can result in a substantial addition to your account. The number of times that the savings institution computes the interest during a year can also make a difference. Each time the interest is added to your account, the interest then earns more interest. Bankers call this "compound interest".

Lets say that you save \$5.00 regularly each week for five years. At the end of five years you would have deposited \$1,300., but your account will total \$1,438.94 if your bank paid 4% interest compound quarterly. At 5% interest, your account would be worth \$1,474.49.

For all-purpose use, a regular savings account is the most suitable. Some banks also offer special savings accounts that you may find convenient for particular purposes.

Before a family can begin to spend its money they need a total figure, which is the net income or the take home pay. That is the actual amount received after deductions have been withheld. Gross income is the income before deductions. After the total, add up expenses. There are three types of expenses which should be listed.

1. Fixed expenses.
2. Fixed expenses.

3. Occasional and emergency expenses.

Fixed expenses are the ones that must be met first and on a regular basis. They are those such as rent, utilities (gas, telephone and electricity), insurance (life, auto, tenant's and homeowner's). These expenses usually remain fairly constant.

Flexible expenses are often cash items and are usually paid for on a daily or weekly basis. Some of these expenses are: food, lunches, savings, laundry and cleaning, carfare and general transportation, and household operating expenses.

Occasional and emergency expenses will occur. They lie between the first two types. How much the family will have to pay is a variable figure. These expenses include: home appliance and auto repairs, uninsured medical and dental bills, large clothing outlays and continuing education.

Lesson Plans

Plan I

Invite a speaker from a bank. Have the person talk to the class about money and banking. Also, savings accounts, checking accounts, and borrowing money.

Class Exercise

Prepare word problems and examples for students to do based upon the speakers presentation.

Examples: Interest.

Interest is money paid for the use of borrowed money. To find the interest a formula is used; $I = P \times R \times T$.

P = principal, the amount borrowed.

R = rate, rate of interest.

T = time, the amount of time it takes to pay back the money borrowed.

What is the interest on a loan of \$500. at 5 1/2% per year for 6 months?

$I = \$500. \times 0.055 \times 0.5 = \$13.75.$

To find the amount repaid, add the interest to the original loan. $\$500. + \$13.75 = \$513.75.$

Word Problems

The Homemaking Department bought a microwave oven on credit for \$450.00 at a rate of 16% per year for 9

months. How much interest will the Homemaking Department pay?

Plan II

Invite a speaker from a supermarket. Have the individual talk to the class about food shopping and the store's display ads in the newspaper, also about wholesale and retail pricing.

Making Use of the Newspaper

Give the class a budget and have them go on a shopping spree.

Example: Food shopping.

Shop for a family of four for a week, and for a month.

Clothes shopping for the beginning of school.

As a culminating activity plan a trip to the New York Stock Exchange or the American Stock Exchange.

Class Project

Have a candy sale to help defray expenses.

Word Problems

A class of twenty-five students sold five hundred bars of candy at \$1.25 each. They had to pay the Candy Kitchen \$.75 for each candy bar sold. What was their profit?

Class Activities

1. Visit a bank in your neighborhood and find out what kinds of checking accounts are available. What are the fees for each check and for monthly services? Find out also what opportunities the bank offers for savings. What interest is paid on savings accounts? How frequently is interest compounded? What services does the bank provide that will help the individual to save regularly?
2. What kinds of benefits are provided by Social Security? Who pays for these benefits?
3. Make an appointment to visit the local office of the Social Security Administration and ask an official to explain the Social Security program. Summarize the information for your class by using a bulletin board or chart showing what the benefits are, and what costs are for the covered worker.

Suggested Class Activities

James Brown works for the City of New Haven. He earns \$400.00 per week as his gross pay. However, some money is deducted for taxes and social security. Here are his deductions:

Federal Income Tax.....\$35.80

Social Security.....\$15.32
State Income Tax.....\$ 6.51
hospitalization.....\$12.89

1. How much was deducted from his gross pay?

2. What is his gross pay? _____

3. What is his net pay? _____

4. How much was deducted for taxes? _____

Robert Mitchell works as a janitor in the school. He earns \$350.00 per week as his gross pay. He does not take all of his money home because some is deducted for taxes and social security. Let's figure out his net pay.

Federal Income Tax.....\$25.00

Social Security.....\$ 8.97

State Income Tax.....\$ 4.30

1. How much was deducted from his pay? _____

2. What is his net pay? _____

3. How much is deducted for taxes? _____

4. What is the largest deduction? _____

The White family during the year bought 195 gallons of fuel oil at \$1.23 per gallon, 185 gallons at \$1.25 per gallon, 240 gallons at \$1.22 each, 275 gallons at \$1.28 and 175 gallons at \$1.30 each.

How much fuel oil did they buy?

What was the cost of their fuel oil for the year?

The telephone message rate service for 85 calls per month costs \$10.50 with 10¢ additional for each call over

85. The basic monthly service allows unlimited calls and costs \$14.30. There is a federal tax of 15% added to the cost of the telephone service. If a family expects to average 100 calls per month, which service is cheaper? How much cheaper?

At an average cost of 28.5 per kilowatt hour, find the hourly costs of operating each of the following:

- a. Hair dryer, 4,000 watts
- b. Iron, 2,000 watts
- c. Television set, 350 watts
- d. Stereo set, 1,900 watts

Find the average cost of gas used by the Oliver family during the month of January, February and March: Find the average cost per month.

January

9,000 cubic feet at \$.56 per cubic foot.

February

9,184 cubic feet at \$.51 per cubic foot.

March

7,109 cubic feet at \$.58 per cubic foot.

Buying Clothes

Gregory was buying clothes for school. He figured that he needed the following:

2 pr. shoes 6 pr. socks 4 undershirts
3 pr. slacks 4 T shirts 3 sport shirts
1 belt 1 jacket 1 hat

He decided to shop at two stores to see where he could get the best price. Here are the two stores Jim went to:

(figure available in print form)

1. What would it cost him, if he bought the articles at Malley's? _____
2. What would it cost him, if he bought the articles at Alexander's? _____
3. Which would be the best store to buy at? _____
4. How much could he save by buying at this store? _____
5. Which store would you buy at? _____

Remember he is buying more than one of some articles.

Grocery Bill

We know that budgeting is a planned way of spending our income for the things we need. Below are a list of items that Mrs. Banister needs for the rest of the week. She has \$20.00 left in her budget for food. Let's figure out her bill and see if she has enough money.

PRICE LIST

butter.....\$1.79 per lb. salami.....\$1.18 a pkg.
milk.....\$.89 a qt. soap powder...\$1.49 a box
sardines.....\$.79 a can horseradish...\$.99 a bottle
mustard.....\$.49 a jar cat food.....2 cans for 99¢
lettuce.....\$.87 a head filet mignon..\$3.89 per lb.
soup.....2 cans for 79¢

1 lb. butter....._____

2 boxes of soap powder....._____

1 bottle of horseradish....._____

1 head of lettuce....._____

2 bottles of mustard....._____

2 lbs. of filet mignon....._____

4 qts. of milk....._____

2 pkgs. of salami....._____

2 cans of sardines....._____

2 cans of soup....._____

2 cans of cat food....._____

TOTAL BILL _____

1. Will Mrs. Banister have enough money? _____

2. If so, how much will she have left over? _____

Vocabulary List

1. Savings account

2. Checking account

3. Interest
4. Credit
5. Gross income
6. Net income
7. Spending plan
8. Money
9. Compound interest
10. Consumer
11. Deduction
12. Exemption
13. Fixed expenses
14. Flexible expenses
15. Investment
16. State income tax
17. Social security
18. Federal income tax
19. Principal
20. Wholesale & retail pricing

Have students look up definitions of words. Use each word in a sentence and write math problems or examples where applicable.

Resource List

First Bank

1 Church Street

New Haven, Connecticut

4974-000

Colonial Bank

Chapel & Olive Streets

New Haven, Connecticut

789-4829

New York Stock Exchange

1-212-938-6000

American Stock Exchange

1-212-938-6000

Eddie Cummings

Stop & Shop Warehouse

Montowese Avenue

North Haven, Connecticut

772-2310

Cristoforo & Brothers

Long Wharf Food Terminal Long Wharf

New Haven, Connecticut

562-9833

Jackson Newspapers

Long Wharf

New Haven, Connecticut

Macy's

20 Church Street

New Haven, Connecticut

624-9271

Suggested Reading List for Students

1. Armstrong, Louise. *How to Turn Lemons Into Money* . Harcourt, Brace, Jovanovich, New York, 1976.

This book takes young readers through a whirlwind course in economics beginning with raw materials.

2. German, Donald R. *Money and Banks* . Dandelion Press, Inc., New York, 1979.

3. Institute of Life Insurance. *Making the Most of Your Money* . Education Services, New York, 1974.

This is a small book which deals with consumer education.

4. Kane, Elmer R. *How Money and Credit Help Us* . Benefic Press, Chicago, 1966.

This book talks about money and credit, what they are and how they help, the problems they bring, and their place in modern American life.

5. Lee, Mary Price. *Money and Kids* . The Westminster Press, Philadelphia, 1974.

This is a think and do book about money. There are a number of suggestions for earning money in creative ways.

6. Rash, Keogh J.. *Consumer Education* . Globe Book Company, Inc., New York, 1975.

7. Simon, Norma. *All Kinds of Families* . Albert Whitman & Company, Chicago, 1976.

This book explores in words and pictures what a family is and how families vary in makeup and lifestyles.

8. Victor, Joan Berg, Sander, Joelle. *The Family* . Bobbs-Merrill Company, Inc., New York, 1978.

This book is a unique history of our oldest human institution. It takes a look at the changes that have taken place within the family.

Bibliography

Suggested Reading List for Teachers

1. Bane, Mary Jo. *Here to Stay* . Basic Books, Inc., Publishers, New York: 1976.
This book deals with the family and the impact that the social agencies have had upon it.
2. Berman, Eleanor. *The Cooperating Family* . Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1977.
The information covers every aspect of home life, including housework, cooking, emergencies, money matters, shopping and assignment of duties.
3. Brinkley, Hayden Jeann, Chamberlain, Valerie. *Teen Guide to Homemaking* . McGraw-Hill Book Company, 1977.
This book can be used as a textbook. It provides a wide range of information while recognizing the modern teenager's unique interests, concerns, and experiences.
4. Chapman, Victoria. *Let's Go To the Super Market* . Putnam, 1971.
This information is about two children who learn the value of money when they visited the super market.
5. Crockers, Betty. *Starting Out* . Golden Press, New York: 1975.
The material gives information so as to enable the family to get more out of their home, more for their money, and more enjoyment out of life.
6. Kane, Elmer R. *How Money and Credit Can Help Us* . Benefic Press, Chicago, 1966.
Excellent material on money and credit, what they are, how they help us, the problems they bring, and their place in modern American life.
7. Kravitz, Wallace W., et al. *Consumer Related Mathematics* . Halt, Rinehart and Winston Publishing Co., New York, 1980.
Good general math book.
8. Newton, David E. *Math in Everyday Life* . J. Weston Walch Publisher. Portland, Maine, 1976.
A good introduction to the kind of finances and mathematics for everyday living.
9. Parsky, Larry M. *Mathematics for Family Living* . Mafex Associates, Inc., Johnstown, Pa., 1967.
Excellent source for teaching students how to open savings and checking accounts and keeping an accurate balance.
10. Price, Jack, et al. *Mathematics For the Real World* . Charles E. Merrill Publishing Company, Ohio, 1978. Good source for the consumer.

<https://teachersinstitute.yale.edu>

©2019 by the Yale-New Haven Teachers Institute, Yale University

For terms of use visit <https://teachersinstitute.yale.edu/terms>