

# Student Loan Game Plan

A Curriculum Guide for Educators



Programs from Iowa Student Loan Liquidity Corporation

# Our Responsible Borrowing Efforts

We are dedicated to finding ways to help students make responsible borrowing decisions. Since 2009, we have devoted a tremendous amount of research and development hours to produce several financial literacy tools to aid Iowans' college success. These financial literacy tools are offered at no charge to all educators, students and families.

Most Appropriate for grades 5–10

## It's Worth It: Thinking Smart About Your Money

This program aims to help middle school students gain a good understanding of finances and develop sound financial behaviors and decision-making skills so they can better face more difficult financial decisions, such as borrowing for college, in the future.

Most Appropriate for grades 9–12+

## Student Loan Game Plan



Student Loan Game Plan<sup>®</sup> is integrated into our private loan program applications for student borrowers and their cosigners, and a free public version is available for college and high school students on our website. Users are encouraged to consider how choices they make about borrowing in college can affect their future budget capacity.

## Return on College Investment



This resource helps students discover how to maximize their return on college investment, or ROI. Return on College Investment allows students and families to explore jobs held by others in their areas of interest. After choosing a degree type and area of career interest, users see potential careers. Each career choice shows estimated starting salary, a potential financial return on an initial investment in multiple educational scenarios, recommended education for the chosen career and prospective future job openings, as well as related careers to explore.

## College Funding Forecaster



The College Funding Forecaster helps families determine a total four-year college cost—and potential debt—based on the information provided in a freshman-year financial aid award packet, as well as family and student savings and earnings, additional scholarships and planned expenditures during college. The tool is customizable to allow families to see how the decisions they make affect their bottom line and total forecasted student debt.

## Student Loan Game Plan

Student Loan Game Plan® users are shown how choices they make about borrowing in college can affect their future budget capacity. The tutorial consists of an interactive exercise in making lifestyle and spending choices during and after college and provides various tips about how to reduce the amount borrowed for college costs. The main goal of the tool is to help borrowers understand the true consequences of overborrowing and to make wise choices now so their future lifestyle is not compromised. This is accomplished using several methods:

- ▶ True-life stories from borrowers highlighting potential problems caused by overborrowing.
- ▶ Customized estimated salary information based on borrowers' majors.
- ▶ Estimated total student loan payment amounts based on realistic loan amounts.
- ▶ A sample monthly budget based on the borrower's anticipated starting salary and national-average expenses, including student loan payments.
- ▶ A variety of strategies to reduce the need for student loans.
- ▶ A customizable and printable action plan to reduce overall borrowing.

Student Loan Game Plan is integrated into our private loan program applications for student borrowers and their cosigners, and a free public version is available for college and high school students on our website.

## Purpose of This Guide

In 2008, Iowa Gov. Chet Culver signed into law a bill that required Iowa schools to adopt a core curriculum that included financial literacy skills in its 21st Century Learning Skills. Ten years later, in 2018, House File 420 (HF 420) amended the Iowa Code to require that all students in the state take at least one-half unit of personal financial literacy beginning with the graduating class of 2023. The required classwork can be completed in conjunction with required social studies, mathematics or career and technical education coursework.

HF 420 did not specify a particular text nor endorse a given curriculum, leaving the choice of materials to individual schools. The Student Loan Game Plan online tool can help educators in Iowa meet some standards listed in the Iowa Core and meet the requirements of HF 420 while helping young Iowans and their families make informed decisions about financing their college experience. The table beginning on the next page correlates some of the activities in this guide with the Iowa Core 21st Century Learning Skills. We hope that educators will expose students and their families to the concepts introduced by Student Loan Game Plan to fill gaps in this aspect of financial literacy education.

## How to Use This Guide

This guide was created to provide educators with a flexible set of lessons that can be used to build a lesson or set of lessons related to the concepts covered by Student Loan Game Plan. These concepts involve using knowledge of the potential financial return for college graduates to put into perspective the possible outcome for a student's investment of time, money and effort in college.

Educators are encouraged to use the suggested activities to put together lessons on this aspect of financial literacy that can range from one day to several weeks. Some lessons can be completed in one class period or be expanded to cover several periods and possibly additional long-term assignments. Prompts are provided to encourage discussion both in the classroom and at home—studies show the importance of involving parents in the financial literacy education of their children.

**Iowa Core 21st Century Skills: Financial Literacy  
Essential Concepts and Skills for High School**

**Covered in this  
Curriculum Guide**

Demonstrate financial responsibility and planning skills to achieve financial goals for a lifetime of financial health. (21.9-12.FL.1)

**Develop short- and long-term financial goals.**

▶ Understand the concept of setting short-term (next six months) and long-term (beyond six months) goals.	✓
▶ Evaluate the role short- and long-term goals play in financial success. Assess the impact of goal setting on personal financial success.	✓
▶ Describe the impact of goal setting on personal financial success.	✓

**Understand needs versus wants.**

▶ Explain the difference between needs and wants. Analyze their own needs and wants to determine importance (prioritize).	✓
▶ Develop plans to achieve their most important needs and wants.	✓
▶ Explore individual decisions made as a consumer.	✓
▶ Distinguish between fact and opinion in advertising.	

Manage money effectively by developing spending plans and selecting appropriate financial instruments to maintain positive cash flow. (21.9-12.FL.2)

**Develop a realistic spending plan for financial independence.**

▶ Understand the concept of developing a spending plan that promotes living within one's means.	✓
▶ Evaluate spending plans that promote maintaining a larger income than expenditures.	✓
▶ Develop and assess impact of different spending plans to make informed choices.	✓
▶ Describe the impact of global issues on financial planning.	✓

**Understand various sources of compensation.**

▶ Identify various types of income (e.g., allowances, salary, hourly wage, commission, benefits, gross and net income.)	✓
▶ Compare various compensation options to determine which best fits individual needs.	
▶ Explain how income affects lifestyle and spending choices.	✓

**Understand financial instruments.**

▶ Understand the responsibility of maintaining accounts using financial instruments such as checking accounts, debit cards, and ATM cards.	
▶ Demonstrate the ability to reconcile personal records with financial institution's records.	
▶ Differentiate between interest-bearing and noninterest-bearing accounts.	

**Recognize the impact of fees and charges.**

▶ Identify options for online financial transactions (buying, making payments, transfers, etc.).	
▶ Understand the distribution of resources.	
▶ Identify options for distributing resources.	
▶ Analyze short- and long-term benefits of different resource allocation opportunities.	✓
▶ Create a personal spending plan to include savings, spending, giving, and/or investing consistent with their financial goals.	✓

Make informed and responsible decisions about incurring and repaying debt to remain both creditworthy and financially secure. (21.9-12.FL.3)

**Identify responsible credit card management.**

▶ Compare and contract offers of credit card, instant loan, and introductory offers (low rate introductory, startup fees, and fixed rate.)	
▶ Explain credit card features, including annual fees, interest rates, and incentives.	
▶ Understand implications of making minimum payments, late payments, and late fees.	✓

**Understand different types of debt.**

▶ Understand the types of debt consumers encounter.	✓
▶ Compare loan terms and rates to determine best choice.	✓
▶ Identify the impact of loans on a personal financial plan, such as auto, student, credit card, major purchase.	✓
▶ Identify asset-producing debt versus living expense debt.	

**Understand rights and responsibilities of borrowers.**

▶ Identify factors considered for qualifying for and securing a loan (i.e., what makes a person a good or bad credit risk).	✓
▶ Understand the meaning of a credit score and how it is used to negotiate better loan options. Identify the steps in checking their own credit score and making corrections if needed.	✓
▶ Explain the potential consequences for not meeting the requirements of the agreement (i.e., payment amount, due dates, insurance, taxes, etc.).	✓
▶ Explain an individual's rights and responsibilities under consumer protection laws.	✓

Evaluate and identify appropriate risk management options, including types of insurance, non-insurance, and identity protection. (21.9-12.FL.4)

**Establish strategies for protection of identity.**

▶ Describe the importance of protecting their identity.	
▶ Distinguish legitimate from fraudulent solicitations.	
▶ Understand the impact of technology on personal security.	
▶ Identify important identification numbers and explain when they should or should not be shared.	
▶ Explain ways to protect their identity.	

<b>Recognize different types of insurance.</b>	
▶ Explain different types of insurance and identify the appropriate need for each.	
▶ Determine appropriate options available to reduce the cost of premiums.	
<b>Recognize different types of non-insurance protection.</b>	
▶ Explain importance of legal and written documentation to protect individuals.	
▶ Identify types of documentation used by individuals to prevent personal and financial loss. Analyze the types of protection available and their appropriate use.	
Assess the value, features, and planning processes associated with savings, investing, and asset building, and apply this knowledge to achieve long-term financial security with personal and entrepreneurial goals in a global market. (21.9-12.FL.5)	
<b>Recognize investment options.</b>	
▶ Assess the many factors that influence financial planning. Explain the importance of savings.	✓
▶ Explain the impact of short- and long-term financial goals for asset building.	✓
▶ Outline the process of adjusting the financial plan to accommodate changes in funds.	✓
▶ Describe the importance of adjusting goals over a lifetime as well as preparing for retirement and estate planning.	
<b>Distinguish investment options.</b>	
▶ Distinguish between the various types of investment options.	
▶ Understand the power of compounding interest.	✓
<b>Understand the relationship between investment risk and return.</b>	
▶ Identify the level of risk involved with investment options.	
▶ Explore the potential returns related to investment options.	
▶ Explain the concept of wealth building.	
Understand human, cultural, and societal issues related to financial literacy, and practice legal and ethical behavior. (21.9-12.FL.6)	
<b>Recognize the local, state, national, and international impact of personal financial habits and actions.</b>	
▶ Analyze the complexity of financial transactions as a member of the international community.	
▶ Evaluate the interconnectedness of the production of goods and services at the local to international levels.	
<b>Demonstrate responsible financial behaviors, at the personal, local, state, national, and international levels.</b>	
▶ Manage personal and professional financial interactions following legal and ethical guidelines.	
▶ Respect the rights and responsibilities of others in financial interactions.	
▶ Practice responsible financial behaviors within an international financial environment.	

# Classroom Guide

## Student Loan Game Plan

# Lesson 1 Introducing Student Loan Game Plan



Explore training and education students will need after high school to get the jobs they want, as well as options to pay for that preparation.



Understand the required education or training needed for different types of jobs.

1. What type of education, if any, do you think is needed to become a high school teacher? Allow students to respond with their thoughts before sharing with them your college education. Also discuss whether having additional or less education changes the opportunities available to you.
2. What do you plan to do for a job once you're done with school? Distribute copies of the Career Information worksheet found on page 40 of this guide to the class and have each student list two or three jobs to track throughout the unit. Meanwhile, keep a comprehensive running list on your copy of the worksheet.

Try to elicit responses that require a traditional four-year college education, as well as some that don't, such as:

- Skilled trades, like electricians, plumbers, mechanics, cosmetologists
  - Unskilled trades, like retail sales, service jobs, day care providers
  - Professions, such as doctors, lawyers, accountants
  - Other professional careers, such as office workers, managers
  - Family businesses and entrepreneurship
3. What type of training or education does each of these jobs require? Encourage students to contribute their expectations on the type of training and education required for several jobs on your list. Either use a classroom computer or ask individual students to use personal computers to pull up the U.S. Bureau of Labor Statistics Occupational Outlook Handbook at [www.bls.gov/ooh](http://www.bls.gov/ooh) to research actual required training or education. Add the results to your class list.



## Understand the costs associated with required education or training.

1. Is any of the training or education we talked about previously free to those who are pursuing that career? How much do you think some of these educations cost per year? By the time a degree or certification is achieved? Have students write their guesses down on their Career Information sheet, while you maintain a more comprehensive list of oral responses.
2. Let's look at some real costs. Provide a list of several careers, required training and estimated cost. Have students look up websites for a technical school, a community college offering skilled trades programs and a private and state university, as well as other types of schools covered in your original list (colleges of beauty, etc.) in your area to provide actual costs.
3. Compare these to what you told me earlier. Compare students' findings of actual costs from the previous question with your list of students' guesses. How close were students' estimates? If they were generally too low or too high, discuss why that might be.
4. What other costs will you have for while you're getting your education? Make a list and write down how much you'll spend on these things by the time you are ready to start looking for your first job. Encourage students to think about how they will pay for daily and living expenses, such as housing, food, clothing, transportation (including parking, insurance, fuel and maintenance), books or materials, entertainment and even little things like shampoo, laundry detergent and daily coffee or soda purchases.



## Determine the options available for paying for training or education after high school.

1. We talked about how much it costs to be prepared to get jobs. What are some ways to pay for that? Discuss options for funding post-high school education:
  - Savings, earnings (including 529 plans, income from jobs worked before and during education)
  - Gift aid (including grants and scholarships, parent or family contributions)
  - Borrowing (including federal student and parent loans listed in financial aid packages as well as private student loans that students need to borrow themselves)

Provide some time for students to explore scholarships promoted on your school counseling web page or from your school counseling office.
2. What is the difference between grants and scholarships? Do you think it's easy to get money like this? Help students understand that while grants are generally available from the government and individual schools, scholarships can come from many different places, including private organizations and individuals. While many grants and scholarships are awarded based on a student's financial need, scholarships are available that recognize academic or athletic achievement, career choices, family background or even personal or physical quirks. The key is researching what is available and applying for everything students can—small amounts add up and may help pay for incidentals outside of tuition.
3. How many of you think you or your parents will need to borrow at least some money to pay for your schooling? Discuss the repayment of student loans and the obligation to make payments whether the student graduates, finds a job or feels their education adequately prepared them for their job. Allow students to look at repayment terms for federal student loans at [www.studentaid.gov](http://www.studentaid.gov) and research private student loans available from local and national lenders.

4. We are going to spend some time talking about borrowing to pay for education after high school. We'll use a tutorial that focuses on responsible borrowing. What do you think "responsible borrowing" means? Help students understand that responsible borrowing means making decisions that will reduce their overall need to borrow (such as graduating more quickly, spending less during school) so that they have a better chance of meeting their repayment obligations.



## Useful Websites

ISL Education Lending  
Student Loan Game Plan  
<https://www.iowaStudentLoan.org/GamePlan>

Federal Student Aid  
Types of Aid  
<https://studentaid.gov/types>

Free Application for Federal Student Aid  
<https://studentaid.gov/fafsa>

Glossary of Student Aid Terms  
<https://studentaid.gov/glossary>

Federal Student Loan Information  
<https://studentaid.gov/loans>

Student Loan Interest Rates  
<https://studentaid.gov/understand-aid/types/loans/interest-rates>

Student Loan Repayment Plans and Estimator  
<https://studentaid.gov/plans>

U.S. Bureau of Labor Statistics  
Occupational Outlook Handbook  
[www.bls.gov/ooh](http://www.bls.gov/ooh)

Consumer Spending  
<http://www.bls.gov/cex/tables.htm>

The College Board  
Trends in College Pricing  
<http://trends.collegeboard.org/college-pricing>

Statistic Brain  
Consumer Spending  
<http://www.statisticbrain.com/what-consumers-spend-each-month/>

U.S. Department of Agriculture  
Food Costs  
<https://www.fns.usda.gov/cnpp/usda-food-plans-cost-food-reports-monthly-reports>

National Association of Realtors  
Housing Prices  
<http://www.realtor.org/topics/metropolitan-median-area-prices-and-affordability/data>

U.S. Department of Labor  
Scholarships  
<http://careerinfonet.org/scholarshipsearch/ScholarshipCategory.asp>

FinAid  
Scholarships  
<http://www.finaid.org/scholarships/>

FastWeb  
Scholarships  
<http://www.fastweb.com/college-scholarships>

Federal Student Aid  
Glossary of Student Aid Terms  
<https://studentaid.ed.gov/sa/glossary>

National Student Loan Data System  
Glossary of Student Aid Terms  
[https://nsls.ed.gov/nsls/nsls\\_SA/public/SaGlossary.do](https://nsls.ed.gov/nsls/nsls_SA/public/SaGlossary.do)



## Additional Topics

### Interest on Student Loans

Have students research interest accrual and capitalization on student loans. When does interest start to accrue? When and how often is it capitalized? How does that change if the loan is a subsidized federal student loan?

### The Real Cost of a Student Loan

Using specific levels of federal and private loans, have students calculate the actual amount they would repay, including interest, over the life of several loans. Challenge them to suggest ways to lower this cost.



## At-Home Discussion Topics

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### Education Funding Hindsight

Students may ask their parents about their education or training after high school and how they paid for it. Do the parents wish they had done anything differently? Looking back, how did the investment in their education pay off?

### Lifestyle Discussion

Have students talk to their parents about the students' current lifestyles compared to how they will live after high school graduation. How much of the students' expenses do parents pay for now? Will they continue to pay for the same type or level of expenses? More? Less? Do parents expect their students to work while they attend college or other training programs? What are the benefits and drawbacks of working and not working while attending school?

### Attitudes About Borrowing

What would parents tell their students about borrowing in general? Can they provide advice about how much to borrow, the kinds of things to look for in a loan or a lender, and repayment? Can they share any personal stories about how borrowing and credit have affected their own lives? What does the phrase "responsible borrowing" mean to parents?

## Lesson 2 Experience Student Loan Game Plan



Become familiar with Student Loan Game Plan and record reactions.

You will go through Student Loan Game Plan as a class. Encourage students to take notes on their thoughts as they go through each screen. Is there anything they do not understand? Do they disagree with anything they see? Does something surprise them?

As students go through Student Loan Game Plan, encourage them to first select the major that is most closely associated with their career choice. If they do not have a college major in mind, they can select a job title related to the job they intend to pursue to see top majors associated with that job. If a major or job of interest is not shown (the data are derived from a U.S. Census Bureau survey so not all majors or jobs are available), ask students to pick a major or job closely related to their area of interest. Allow students who are undecided or not planning to attend college to choose any major or job title. After students have gone through the tool and have seen the results of spending and lifestyle choices, encourage them to go back to choose a different major or job title to see the variation based on choice of major. Repeat as time allows.

1. Did any of the results surprise you? Why or why not? Allow students to discuss which majors paid higher than others and how that pay affected their projected budgets.
2. What were some of the thoughts you had while going through the tutorial? Make a note of reactions that students share to incorporate into future discussions.



### Useful Websites

ISL Education Lending  
Student Loan Game Plan  
<http://www.iowaStudentLoan.org/GamePlan>

## Lesson 3 Facing Facts: Avoid Overborrowing



Understand one borrower's troubles with student loan repayment and relate them to the students' ideas about their own lives.



Picture life after college.

1. How do you think you will live after you start working full time? Using information they gained from lifestyle and spending choices in the tool, as well as other research they may be asked to perform, ask students to think about the following questions. What kind of housing do you think you will have, and will you live alone or with roommates, family or a significant other? What kind of car, if any, do you think you'll have? Do you anticipate having a lot of spending money or will you just try to squeak by? Let students share their ideas about the type of lifestyle they think they will have when they are just starting out in their careers. Ask them to expand on why they think as they do. (Are their ideas based on their knowledge of family members' experiences, on portrayals in movies or shows, or personal expectations based on how they live now?)
2. When you went through Student Loan Game Plan, you heard one or more stories from a real borrower. Refresh students' memories by replaying one or more of the videos or downloading the transcript to share. How common do you think it is for borrowers to have these types of problems? Provide information on average borrowing levels for college and delinquency and default rates for student loans.
3. Do you know anyone in college now or who has recently graduated that is in a similar situation? Allow students to respond with comments about people they know, reminding them that they do not need to share names or other identifying information.



Make it personal.

1. Do you think you will find yourself in a situation like this? Why or why not? High school students often perceive that they will not encounter such difficulties, even if they know the situation is common. Challenge students to list actual steps they will take to avoid such a situation rather than responding that they know they'll get the job or salary they want.
2. Make a list of the elements of your ideal lifestyle after graduation. Include the type of job you'll have, the kinds of clothes you'll wear, where you think you will live (both geographically and the type of housing), the vacations you'll take, what you'll do when you're not at work, and the types of food you'll eat (consider whether you have specialized desires or needs as far as groceries go, as well as the number of times a week you'll eat out or order from a restaurant). Will you be planning to start a relationship or a family? How much support will you have from your own family?

3. Now look at your list and think about what will have to change if you can't afford your student loan payments. Some common problems are listed below. How would each of them change your imagined future lifestyle?
- Can't make car payments. Students should consider not only the price of a car, but fuel, maintenance, insurance and parking. If they won't have a car, how will they get to work? What other daily activities would be curtailed?
  - Are unable to afford an apartment or a starter home. Will students need to consider roommates, a smaller or less-expensive living option, moving back home? How do each of these alternatives affect other areas of their life, such as relationships and entertainment options?
  - Have to work two jobs. Taking on a part-time job means less time to spend doing things they might enjoy more—and less time to spend money. How will students feel about starting out their adult lives working 60 or so hours a week?
  - Can't afford to take time off or take a vacation. Many jobs offer benefits that include paid time off. If students can't pay their bills, will they need to spend that time working another job? Will they be able to pay for a trip? How does this compare with their idea of taking spring break and holiday trips while they're in college? Is it better to use loan money to pay for those things and then try to pay it off later—maybe by sacrificing future adventures?
  - Have to ask your parents or a future spouse to help you pay off your debt. Students should consider their parents' ages and situations at the time they will be asking for help. Will their parents still be working? How much time will they have before they retire? Do they have funds for retirement and will they be able to afford to repay student loan debt at that time? If students need to ask a significant other for money, they should consider how that might affect the relationship, and the problems that may ensue if the relationship ends before the debt is repaid.
  - Can't afford to eat out or go out regularly. How often do students picture themselves eating out or going to clubs and parties as a young adult? How much do they think an evening out will cost for the geographic area they anticipate living in? Students should consider whether they will need a special wardrobe for evenings out and what less-expensive alternatives are available.
  - Need to skimp on groceries. Do students enjoy eating the cheapest meals available from items at the local grocery store? Will they want to eat more healthfully as young adults? It's a common perception that college students dine on noodle soup and macaroni and cheese; will students take out student loans that will allow them to eat more lavishly while they're in college, only to revert to those old standbys when they are repaying the debt on a starting salary?



## Useful Websites

College Board  
Trends in Student Aid  
<http://trends.collegeboard.org/student-aid>

Federal Student Aid  
Student Loan Default Rates  
<https://studentaid.gov/data-center/student/default>

Consequences of Default and Delinquency  
<https://studentaid.gov/manage-loans/default>

New York Federal Reserve Bank  
Average Student Loan Debt  
<http://www.newyorkfed.org/studentloandebt/>

Project on Student Debt  
Student Loan Debt  
<http://ticas.org/posd/map-state-data>



## Additional Topics

### Average Student Loan Debt

What is the national average of student loan debt for college graduates? How does this compare to the average debt in your state or region? What areas of the country have the lowest average debt? Have students research possible reasons for the differences in student loan debt across the country. Does this information affect where students might plan to attend college or what colleges they may apply to?

### Student Loan Delinquency and Default

Have students look up the meanings of delinquency and default. How do these terms apply to student loans? When is a borrower considered delinquent on student loan payments? When do student loans enter default? (Federal student loans and private student loans have different default guidelines.) What are the consequences for delinquency and default? How does each of the consequences affect the borrower's current and future financial situation?



## At-Home Discussion Topics

### Too Much Debt

Students can ask their families about problems people face when they have too much debt. Can their parents share their personal experiences of avoiding and managing debt? How does having and sticking to a budget affect the ability to manage expenses and debt? Have students' parents had to delay or give up saving for retirement, vacations or other planned expenditures to manage current expenses?

### Food Expenses

Students can volunteer to do the routine grocery shopping for their family. They should ask the person who normally shops how they decide which products to buy. Is there a planned menu to shop for? How does the shopper know how much to buy? Does he or she usually buy items in bulk or on sale and stock up, or just buy what is needed now? Are coupons or other discounts involved? Is there a budget or maximum limit to spend? Once students know what to buy and how much they can spend, they can do the grocery shopping either alone or with the regular shopper's help. Using the receipt, they can calculate approximate monthly and annual grocery expenses for their families. Have them use these amounts to estimate how much they will spend on groceries for just themselves. Can they think of ways to save money on their own groceries?

## Lesson 4 Knowing How Much to Borrow



Understand how student loan debt affects disposable income.



Determine overall student loan debt.

1. How much do you think you will need to borrow for your education, based on what was determined in earlier lessons? Have students refer to their list of educational costs and think realistically about whether they will need to borrow for each year of their planned education. Students should remember that they may not enjoy their current lifestyle while they're in college—they may need to curtail some of their activities, live more frugally or earn their own spending money if they don't do so now.
2. How long will you be in college or in a training program? Some degrees or certifications can be achieved in two years or less; others require education beyond a four-year degree. Depending on students' situations, they may not complete a typical four-year degree in four years. Others may take time off school to work, travel or gain experience. Ask students to consider how the length of their planned education can affect how much they need to borrow to achieve their education goals.
3. Use the numbers you came up with in the previous two questions to determine an estimated total student loan debt over the course of your education. How much will you borrow before you are ready to start working in your chosen career? Ask students to share totals with the class. If possible, add a total student loan debt column to the class list for reference.



Break down debt into monthly payments.

1. Now that you have a total student loan debt in mind, determine how much you will pay each month in student loan payments. Students may use an online student loan debt payment calculator to figure monthly payments.
2. Is this monthly amount manageable? Is it higher or lower than you expected?



## Estimate your monthly starting salary.

1. How much can you expect to earn after graduation? Refer to the cumulative class list begun with Lesson 1. Use the average starting salaries provided by the Guide to Borrowing Levels by Major in Student Loan Game Plan to add starting salaries to this list. Encourage students who have an idea of the career they want to enter after college to determine their potential starting salaries according to Student Loan Game Plan.
2. Find your estimated monthly income. Divide your starting salary by 12 to get gross monthly income. Help students understand that gross in regard to income means “before taxes and other deductions.” Student Loan Game Plan assumes 20% of gross salary will be withheld for taxes and other withholdings, a \$100 per month insurance premium, and a 3% contribution to a retirement fund. After these deductions, the net amount can be used to pay for living expenses. Have students discuss the difference between gross and net monthly salaries for their selected career.



## Determine student loan debt-to-income ratio.

1. Now you have the information you need to figure out your student loan debt-to-income ratio. Divide your monthly student loan payments by your monthly gross salary and express the answer as a percent. A debt-to-income ratio is an important ratio used by many lenders (especially for mortgages) to determine the ability of a potential borrower to successfully repay the loan. The lower the ratio, the better credit terms a consumer may receive.
2. What percent of the rest of your income do you think will be committed to other debt? Students may eventually have credit card debt, car loans or even a mortgage from a starter home. After students compute their student loan debt-to-income ratio as described, ask them to look up and add averages for other debt expenses (rent, car payment, credit cards, etc.) to the original monthly debt and recompute their overall debt-to-income ratio. What does the distribution of the class ratios look like?
3. If your overall debt-to-income ratio (including the items you considered for question 2 above) is too high, how might your future lifestyle need to change? Help students distinguish between expenses and debt. Usually, items that are paid for as they are used (rent, utilities, cable and cell phone services, entertainment, groceries, etc.) are considered expenses. Debt usually indicates something you’ve borrowed money for, either in the form of a loan (such as a car or house) or credit (such as credit cards), and have a schedule for repaying. Inform students that most mortgage lenders ask that borrowers’ overall debt-to-income ratio—including the potential mortgage payment—be 45% or lower. Some sacrifices people make to be able to afford monthly debt payments include buying a smaller house, less-expensive car, fewer electronic gadgets and cheaper cell phone and cable plans. Remind students that if they have to live like a college student due to budget constraints at some point in their lives, they may prefer to do so while they’re actually in college.



## Useful Websites

National Center for Education Statistics  
Graduation Timeframes  
[http://nces.ed.gov/programs/coe/indicator\\_ctr.asp](http://nces.ed.gov/programs/coe/indicator_ctr.asp)

The College Board  
Graduation Timeframes  
<https://secure-media.collegeboard.org/digitalServices/pdf/professionals/four-year-graduation-rates-at-four-year-colleges.pdf>

U.S. Department of Education  
Graduation Timeframes  
<http://dashboard.ed.gov/statecomparison.aspx?i=l&id=0&wt=40>

U.S. Bureau of Labor Statistics  
Inflation Calculator  
[http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm) and <https://www.bls.gov/cpi/questions-and-answers.htm>

CNN Money  
Cost of Living Calculator  
<http://money.cnn.com/calculator/pf/cost-of-living/>

Bankrate  
Cost of Living Calculator  
<http://www.bankrate.com/calculators/savings/moving-cost-of-living-calculator.aspx?MSA=5602>

Paycheck Deduction Calculator  
<http://www.bankrate.com/calculators/tax-planning/payroll-tax-deductions-calculator.aspx>

Debt-to-Income Calculator  
<http://www.bankrate.com/calculators/mortgages/ratio-debt-calculator.aspx>

ISL Education Lending  
Student Loan Payment Calculator  
[www.iowaStudentLoan.org/college-planning-tools/calculators/student-loan-payment-calculator.aspx](http://www.iowaStudentLoan.org/college-planning-tools/calculators/student-loan-payment-calculator.aspx)

Federal Student Aid  
Student Loan Repayment Plans  
<https://studentaid.gov/manage-loans/repayment/plans>

PayCheckCity  
Paycheck Deduction Calculators  
<http://www.paycheckcity.com/calculator/salary/>  
<http://www.paycheckcity.com/calculator/hourly/>



## Additional Topics

### Salaries by Region

Have students research starting salaries for various career choices in different geographical locations. Does salary depend on where they live? How do local pay scales compare to the national average? Do living expenses vary from the national average in a corresponding manner? The online U.S. Bureau of Labor Statistics' Occupational Outlook Handbook is a useful resource as students investigate careers of interest.

### Comparing Net Incomes

Have students compute net income for a variety of salaries, geographical locations and situations (married, with children, more income reserved for retirement, etc.). You may also want to discuss the poverty line and how the number of people in a family affects whether the family falls below the poverty line as well as eligibility for public assistance programs. For more information on official guidelines for the poverty line, visit <http://aspe.hhs.gov/poverty>.



## At-Home Discussion Topics

### Setting Expectations

Do students' parents have expectations regarding academic performance for them now? How difficult is it for each student to live up to his or her family's expectations? Will those expectations change for college? What else do students' parents expect for a college student? Do they encourage their student to work during school or during breaks? Do they expect to hear from the student on a frequent basis or have the student come home often? What do students expect from their parents? Encourage students who plan to go away to college or another program to discuss expectations with their families.

## Lesson 5 Finding Your Future Salary



Understand how choice of major or career affects salary.



Explore career options.

1. You've already looked at the potential salaries for several careers. Referring to the class list, select several careers and progress through the Student Loan Game Plan until you reach the page to make spending and lifestyle choices for each. Compare the results for each associated major.
2. Why is the starting salary for each major the same as its recommended maximum borrowing level? The rule of thumb that borrowing for college expenses should be no more than the expected first-year salary is easy to remember. But is it a good guide for how much to borrow? Have students use the Guide to Borrowing Levels by Major PDF available within Student Loan Game Plan to create the student loan debt-to-income ratio for 30 different majors. Graph the distribution and discuss which values seem reasonable, especially when considering other monthly expenses, and which ones seem unsustainable.
3. Do you think that everyone with the same degree will receive about the same salary for their first job out of college? Why or why not? Two reports by Anthony Carnevale at Georgetown University's Center on Education and the Workforce ("What's It Worth? The Economic Value of College Majors" and "The College Payoff") provide examples of salary variation. Discuss the difference between starting salary, average salary and median salary for a given major (the latter two statistics being the ones that most websites and colleges provide to students). The variation can be explained by experience level (which is one reason to pursue internships before college graduation), job type, location of the job, the size of the company, the nonprofit status of the company, etc. Also, be sure to point out that statistics about salaries by major can include a wide variety of jobs from professional positions to non-skilled positions, causing some of the variation. Use the Carnevale reports to discuss differences across race, gender and age as well as what type of jobs people with each major end up in.



Compare careers that don't require a college degree.

1. We've focused on careers that require a college degree. What about other types of careers? Choose one of the following career areas and determine how the financial situation changes.
  - Entrepreneurship. Encourage students to consider crowd-funding, investors, personal loans and other sources of financial support.

- Skilled trades. Ask if any students know any plumbers, electricians, cosmetologists or others who have a skilled trade. Do these students know the training required for these jobs? Some require education plus journeyman or internship experience, and many also require some certification and ongoing education.
- Family businesses. Do any students plan to enter a family business? What kinds of businesses are they? Will students receive on-the-job training, or have they already? What kind of role will they have within the company at first, and how will that change over time?
- Unskilled trades. Do students know what is meant by this term? Discuss whether students would find jobs such as retail, customer service, daycare, food service, etc. satisfying. Although many of these jobs don't require certification or advanced education, many do have educational opportunities associated with them and, depending on students' goals, can be fulfilling in and of themselves. Discuss with students what makes a job rewarding. In regard to finances, how does a lower-paying job affect overall life satisfaction?
- Armed forces and service careers. Are any students planning to enlist in the armed forces or work in a service career such as the Peace Corps or a ministry? Which of these jobs require some education or training? What are the financial and nonfinancial benefits of these types of careers?



## Useful Websites

Entrepreneur

Entrepreneurship Funding

<http://www.entrepreneur.com/article/207488>

<https://www.entrepreneur.com/article/297386>

U.S. Small Business Administration

Small Business Development Centers

<https://www.sba.gov/local-assistance/find/?type=Small%20Business%20Development%20Center&pageNumber=1>

Business Guide

<https://www.sba.gov/business-guide>

Iowa Small Business Development Centers

Online Business Training

<http://iowasbdc.org/online-resources/useful-links/starting-a-business/>



## Additional Topics

Small Businesses and Entrepreneurships

If a local college or organization offers support for business owners and entrepreneurs, you may want to schedule a short presentation or class trip. Viewing episodes of “Shark Tank” can also provide students with ideas. Students should also investigate the failure rate of new entrepreneurships and any legal requirements for returning funds to investors.

Skilled Trades

Students may know one or more people who have a skilled trade. Ask students to interview someone who relies on this kind of career as his or her main source of income. What kind of training or certification was involved? How long were they in training before they were able to earn money? How do they get customers or business? Do they need ongoing education to keep up with industry changes? What is their advice for high school students considering the trade?

### Unskilled Trades

Have students brainstorm types of jobs that are considered unskilled. These are jobs that don't require previous training or education, except possibly a high school degree. Many students may currently be working in this category with retail, customer service, lawn care, agricultural or landscaping labor, road work and other jobs. (For help understanding which positions are unskilled, visit <https://www.tntpersonnel.com/everything-need-know-skilled-unskilled-labor/>). Encourage students to research recent reports on the number of college graduates working such jobs. Why do students think that people with college degrees are working these types of jobs? Would they consider a college degree wasted if they took such a job after college graduation? Why or why not?

### Armed Forces and Service Careers

Invite local members of the armed forces or ministry to speak to the class about potential careers in those areas and their advantages and disadvantages. Encourage students to think seriously about these careers ahead of time and come prepared with questions for the speakers.



## At-Home Discussion Topics

### Making Connections

What networking tips do parents have for their students? If students know what career field they're interested in, encourage them to ask their parents if they know anyone currently working in that or a similar field. If so, students can work through their parents to set up an informational interview, a job shadow or another networking opportunity. People are often glad to encourage young people to enter their field and spend some time providing advice and connections.

### Job Preparedness

Students may talk to their parents about potential job opportunities they can pursue right now to develop the type of skills they will need in the future. Working a reception desk can provide valuable experience with day-to-day office functions, such as phone skills, professional dress and deportment, and the knowledge of working within an office hierarchy. A retail or service position can help students become more comfortable interacting with different types of people and situations, which can be applied to many types of careers.

# Lesson 6 Understanding Your Student Loan Amounts



Learn the various terms and definitions associated with student loans and the repayment of student loan debt.



Understand loan obligations.

1. When you take out a loan, you are legally required to repay it, along with associated interest and fees. What circumstances do you think could free you from this obligation? If students don't come up with the following on their own, ask them whether they think they would be required to repay student loans in each of the situations.
  - Failure to graduate. If students don't complete the education for which they took out a loan, they are still required to repay the loan. It has been paid by the lender to the school for the purposes of the education, and unless the school closes or falsely certifies the loan, the student borrower is responsible for the debt, even if the school forces the student to withdraw.
  - Dissatisfaction with education. If a student feels he or she is not adequately educated for a career associated with the course of study, he or she must still repay the debt.
  - Failure to get a job. Even if students aren't able to find a job, they are still responsible for repaying the debt.
  - Bankruptcy. Unlike many other types of debt, student loans may not be discharged due to bankruptcy. So even if a borrower successfully files for bankruptcy, he or she may still be responsible for repaying student loans.
  - Total and permanent disability. If a borrower becomes unable to work because they are totally and permanently disabled, the federal government and some private lenders will discharge their loans. Temporary medical conditions usually do not qualify for this type of discharge, and borrowers need to have a physician certify the severity of the disability.
  - Death. If a borrower dies, the federal government and some private lenders will discharge the debt. Some private lenders may pass the debt on to the borrower's cosigners or heirs, however.
2. Many private student loans require you to have one or more cosigners because you probably haven't established enough of a credit history for a lender to determine whether you are a good credit risk. What is your cosigner's role if you do not pay back your debt? Tell students that a cosigner takes on the debt of the borrower as if it were the cosigner's own. If the borrower misses a payment, that late payment may show up not only on the borrower's credit report, but also the cosigner's. In addition, if the borrower does not make any payment, the cosigner is responsible for taking on the debt. Ask students who they think they would likely ask to cosign a student loan for them and if they are willing to have this person take on their debt if they don't get a job or can't make payments for another reason.



## Understand interest on student loans.

1. What is interest? Students may have heard of interest in relation to several financial products, such as loans or mortgages, checking and savings accounts, etc. Help them understand that interest may refer to a benefit to a consumer, or it may refer to a cost. Many times, certain bank accounts and investment vehicles (like money market accounts, CDs, IRAs, retirement plans, etc.) earn interest. In this case, consumers deposit money for use by an institution, such as a bank, for a certain amount of time, and the institution pays interest for the privilege of using that money. A CD, or certificate of deposit, may pay 2% interest annually. If a consumer opens a three-year CD with \$1,000, the bank uses the \$1,000 for a period of three years and gives it back to the consumer on the maturity date. The CD will earn 2%, or \$20, in interest the first year. The second year, it would earn 2% of \$1,020, or an additional \$20.40. On the other hand, when it comes to loans, the consumer pays interest to the lender for the privilege of using their money. If a consumer takes out a five-year \$12,000 car loan, they will need to repay the entire \$12,000 plus interest by the end of five years.
2. How is a fixed interest rate different than a variable interest rate? Which is better and why? Help students understand that the economic market drives interest rates. When a lot of consumers borrow money, interest rates generally come down; they go up when consumers are more cautious about borrowing money. Sometimes, the federal government will lower interest rates to encourage consumers to borrow and spend money. Most private lenders rely on national and international standard indexes to determine their rates. A fixed interest rate is one that stays the same over the entire life of a loan. A variable rate changes as the market changes, so you pay less when overall interest rates are low, and more when they're higher. Students should understand that neither a fixed nor a variable rate is always better than the other. Someone who chooses a long-term loan with a fixed interest rate runs the risk of variable rates being lower than the fixed rate at various times during the repayment period. Conversely, someone with a variable rate on their loan can never be sure exactly what their future rate will be and at times may pay significantly more in interest than someone with a comparable loan that has a fixed rate.
3. Do you know what happens when interest accrues? Have a student look up the meaning of accrue if the class is not familiar with this term. Explain that with federal student loans and many private student loans, interest accrues on a daily basis. To compute daily interest on a student loan, students can use the following simple interest formula:

$$[\text{Interest rate (in decimal form)} \times \text{current principal balance}] / \text{the number of days in the year}$$

Have students use the loan amounts they calculated in previous exercises to compute daily interest on several different loan amounts.

4. What happens when accrued interest on student loans is not paid with monthly payments? Explain to students that, usually, student loan payments are calculated to at least pay the accruing interest each month. However, if someone doesn't make a full payment or uses some type of assistance to delay or reduce their payments, some accrued interest may be left after payment is made. Any accrued interest may then be capitalized, or added to the loan's principal balance, at certain times according to the loan terms. Once interest is capitalized, it also starts to accrue interest at the same rate as the rest of the loan's balance. This is why students are often encouraged to make payments that at least cover interest while they are in school or delaying or reducing payments.



## Determine additional costs and fees.

1. What other fees may be associated with a student loan? Have students research student loans from national lenders' websites to see what other costs are involved. Encourage them to look for the following terms: origination fees, late fees, prepayment penalties.
2. Different lenders charge different fees and have different policies regarding their private student loans. How can you accurately compare between two different loan options? Many consumers struggle with comparing two or more loan products that may have different interest rate structures and amounts, and different types of fees and costs. Lenders are now required to provide an APR (annual percentage rate) to consumers for products like student loans and credit cards. The APR is different than the interest rate because it calculates the annual cost to a consumer, including interest and all other fees associated with the product.



## Understand delinquency and default.

1. What do you think happens if you miss a student loan payment or are sometimes late making a payment? Help students understand that missing a payment completely may result in more accrued interest so that less of future payments applies to principal. Only by reducing principal can a debt be paid off. If a borrower doesn't make up a missed payment by paying twice in a future month, their account is perpetually 30 days late.

Because interest accrues every day, if their payment amount is close to the amount of interest that accrues on a monthly basis, a late payment may not cover all the interest that has accrued since their last payment, resulting in possible capitalization.

If a borrower misses payments or makes them late, the account is said to be delinquent.

2. What if you choose to just not make any payments on your student loans? Once your account has been delinquent for a certain period of time, it defaults. The consequences of default include:

Federal student loans

- Becoming ineligible for federal financial aid in the future
- Loss of ability to qualify for loan deferment or forgiveness on the defaulted loan
- Ineligibility for a professional license if you're required to be licensed by your state
- Having the entire balance on your loan(s) become due immediately
- Having a lawsuit filed against you. If the U.S. Department of Education prevails, you may be responsible for its legal fees and other costs.
- Requiring your employer to take money out of your paychecks to pay your debt
- Loss of any federal or state tax refunds, state lottery winnings, and Social Security or veterans benefits due to you

## Private student loans

- The loan servicer can demand immediate payment in full.
  - Your lender or loan servicer can take legal action to recover the money. If you are sued for repayment, you may also be responsible for legal fees for the lawsuit.
  - The default may be reported to the national consumer reporting agencies, making it difficult to be approved for a credit card, mortgage, apartment or future loans for cars, furniture or other large purchases.
3. How do delinquency and default affect your credit? Why is this important? National consumer reporting agencies receive information about your financial activity from creditors (the entities that lend money to consumers). This information is collected in your credit report and is reflected by a credit score. The better your credit, the higher your credit score. When you try to borrow money again, or finance a purchase such as furniture, the new lender will check your credit. A poor credit score may mean you will not be able to borrow the money or finance the purchase at all; alternatively, you may have to pay a higher interest rate and/or higher fees than someone else who has a better credit score.



## Useful Websites

### Federal Student Aid

#### Student Loan Cancellation

<https://studentaid.gov/manage-loans/forgiveness-cancellation>

<https://studentaid.gov/manage-loans/forgiveness-cancellation/teacher>

### NOLO

#### Student Loan Cancellation

<http://www.nolo.com/legal-encyclopedia/student-loans-cancellation-deferment-forbearance-29791-2.html>

### Consumer Finance Protection Bureau

<http://www.consumerfinance.gov/>

### Cosigner's Death or Bankruptcy

<http://www.consumerfinance.gov/newsroom/cfpb-finds-private-student-loan-borrowers-face-auto-default-when-co-signer-dies-or-goes-bankrupt/>

### Fixed and Variable Interest

<http://www.consumerfinance.gov/askcfpb/757/what-difference-between-fixed-and-variable-rate-financing.html>

### Federal Trade Commission

#### Student Loan Cosigners

<https://www.consumer.ftc.gov/articles/0215-co-signing-loan>

### The Student Loan Sherpa

#### Student Loan Cosigners

<http://studentloansherpa.com/decision-co-sign-student-loan/>

FreeAdvice

Student Loan Cancellation

[http://bankruptcy-law.freeadvice.com/bankruptcy-law/consumer\\_bankruptcy/cosigning-student-loan-responsibilities.htm](http://bankruptcy-law.freeadvice.com/bankruptcy-law/consumer_bankruptcy/cosigning-student-loan-responsibilities.htm)

Investopedia

Compound Interest

<http://www.investopedia.com/terms/c/compoundinterest.asp>

Prime Interest Rates

<http://www.investopedia.com/terms/p/primerate.asp>

Annual Percentage Rate

<http://www.investopedia.com/terms/a/apr.asp>

The Motley Fool

Compound Interest

<https://www.fool.com/knowledge-center/compound-interest.aspx>

Math Is Fun

Compound Interest

<http://www.mathsisfun.com/money/compound-interest.html>

Discover

Interest Rates

<https://www.discover.com/student-loans/college-planning/understanding-interest-rates.html>

Private Student Loans

<https://www.discover.com/student-loans/undergraduate.html>

Credit Karma

Prime Interest Rate

<https://www.creditkarma.com/credit-cards/i/prime-rate/>

FinAid

Prime and Libor Interest Rates

[http://www.finaid.org/loans/prime\\_libor.phtml](http://www.finaid.org/loans/prime_libor.phtml)

Federal Student Aid

Student Loan Agreements

<https://studentaid.ed.gov/mpn>

U.S. Department of Education

Student Loan Agreements

<https://studentloans.gov/myDirectLoan/subUnsubHTMLPreview.action>

U.S. Office of Personnel Management

Student Loan Agreement

<http://www.opm.gov/policy-data-oversight/pay-leave/student-loan-repayment/sample-agency-plans/sample-student-loan-repayment-program-service-agreement/>

ISL Education Lending  
Private Student Loans  
<http://www.iowaStudentLoan.org/private-student-loans/>

Investing Answers  
Annual Percentage Rate  
<http://www.investinganswers.com/financial-dictionary/debt-bankruptcy/annual-percentage-rate-apr-1264>

Student Loan Hero  
Delinquency and Default  
<https://studentloanhero.com/featured/student-loan-default-what-happens/>

AnnualCreditReport.com  
Free Credit Report  
<https://www.annualcreditreport.com/>

Federal Trade Commission  
Credit Reports  
<http://www.consumer.ftc.gov/articles/0151-disputing-errors-credit-reports>

Fair Isaac Corp.  
Credit Reporting  
<https://www.myfico.com/credit-education/credit-reports/fixing-errors>



## Additional Topics

### Student Loan Terms

Have students complete the Student Loan Terms student sheet that begins on page 41 by writing in what they think each term means. Then display or hand out the Student Loan Terms answer key that begins on page 44 and have students compare their ideas to the actual meanings of each term. Do students feel like they now understand most of the key words for student loans? Do they think most people, including college graduates, understand everything they sign to take out student loans? (You may want to share a sample loan agreement with the class.)

### Federal vs. Private Student Loans

Have students make a chart with the headings Federal Student Loans and Private Student Loans. They should define each. (A federal student loan is offered by the federal government. It usually offers better repayment terms and lower interest rates than a private student loan. In addition, the government pays accruing interest on subsidized federal loans while the borrower is in school and during certain periods of assistance.) Have students research each of the following in relation to both types of loans and fill in their charts:

- ▶ Available assistance for borrowers who cannot pay, including forbearance and deferment
- ▶ Conditions in which a loan may be discharged
- ▶ Assistance programs for borrowers in the armed services, Peace Corps or other service organizations, and shortage areas such as teaching and nursing
- ▶ Repayment plans
- ▶ Repayment plans based on annual income
- ▶ Consequences of default

### Interest Capitalization

Have students compare the total repayment amount for various loan amounts when interest is capitalized and when it isn't.



## At-Home Discussion Topics

### Comparing Private Student Loans

Have students work with their parents to research a private student loan that offers both fixed and variable rates. Choose a standard amount to compare and calculate total interest paid over various scenarios. Have them determine what type of loan may best suit their situation. Then, have them compare loans from different lenders. Are they able to determine their exact interest rate before they apply? Are other costs and fees listed? Do they all have the same eligibility and underwriting criteria? What else might they look for from a loan or lender?

### Credit Score

Students have probably seen or heard advertisements for organizations that provide credit scores to consumers. Encourage students to work with their parents to determine the best way to obtain an annual credit report. (Remind students that everyone is entitled to one free credit report from each major agency—Equifax, Experian and TransUnion—annually.) If parents are willing, have students review their parents' credit report with them and discuss what each element of the report means. Do parents know how to make corrections to their credit report? Have students research the method for doing so and share it with parents.

### Consumer Protection

Students can work with their parents to look up the Consumer Financial Protection Bureau and the rights and responsibilities of consumers. Families can visit [www.consumerfinance.gov/paying-for-college](http://www.consumerfinance.gov/paying-for-college) to learn together about student financial aid and understanding student loans.

## Lesson 7 Planning a Budget



Determine spending and saving habits and how to create and stick to a reasonable budget.



See what kind of spender you are.

1. How do you spend your money? Have students take the What Kind of Spender Are You? quiz on page 46 of this guide and evaluate their responses.
2. Are all types of spending the same? How do you decide which purchases you need to make? Encourage students to distinguish between expenses that are needs and those that are wants. Items that fall into the needs category are shelter, food, clothing and purchases that help people earn money (for example, a dependable car to get to work). Purchases like cable TV, cell phone plans, entertainment, etc. are wants. In addition, although a car might be a need, a convertible sports car is a want. Another, less-expensive, car would also fulfill the need. Similarly, although everyone needs to have clothes, consumers have a wide variety of ways to spend more or less on clothing. Challenge students to list ways to save on clothing expenses.



Set financial goals.

1. What financial goals do you think you'll have when you've completed your education? How will you reach them? Help students understand that having financial goals is like drawing a road map for their future. Goals should be specific and include information about the tools students will need to achieve their goals. Ask students which is a better goal and why: retire early or commit 20% of every paycheck to a retirement plan.



Create a personal budget.

1. Using the sample budget at [www.iowaStudentLoan.org/college-planning-tools/calculators/monthly-budget-calculator.aspx](http://www.iowaStudentLoan.org/college-planning-tools/calculators/monthly-budget-calculator.aspx) as a model, develop your own monthly budget using the estimated salary, expenses and goals discussed earlier. Provide students with a blank monthly budget worksheet to fill in. Remind students that their total expenses cannot exceed their total income.

2. How do national and global issues affect your budget? Think about employment levels, technology, immigration, war, weather events and global economic issues. The job market for different careers can vary widely. At times, it's difficult for college graduates in general to find the type of job they are looking for; at others, certain types of careers may be affected more than others. Do students' career choices depend heavily on certain economic or environmental conditions, or will there be opportunities within that field regardless of what is happening in the world?



## Useful Websites

Take Charge America

Needs Vs. Wants

<https://www.takechargeamerica.org/understanding-wants-vs-needs/>

Institute for Financial Literacy

Needs vs. Wants

<http://www.youtube.com/watch?v=OmzRi54QQ1w>

Free Training Tutorial

Needs vs. Wants

<http://www.free-training-tutorial.com/lifeskills/financialliteracy-needs.html>

National Endowment for Financial Education

Needs vs. Wants

<http://www.smartaboutmoney.org/portals/0/worksheets/worksheets-old/WantsvsNeeds.pdf>

PIMCO

Inflation

<https://global.pimco.com/en-gbl/resources/education/understanding-inflation>

CNN

Cost of Living Calculator

<http://money.cnn.com/calculator/pf/cost-of-living/>

Bankrate

Cost of Living Calculator

<http://www.bankrate.com/calculators/savings/moving-cost-of-living-calculator.aspx?MSA=5602>

Job Search Sites

<http://indeed.com>

<http://www.monster.com/>

<http://www.careerbuilder.com/>

<https://www.usajobs.gov/>

<http://www.payscale.com/Job-Search-Engine>



## Additional Topics

### Budget by Geographic Region

Assign students to various regions of the country, either individually or in groups. Have them research average incomes for the same job and find average expenses for their region, then create a budget for the region. As a class, compare budgets from around the country.

### Living in the Real World

Have students locate a job advertisement for a career they might consider for themselves. The advertisement should provide a pay or salary range. Have students “apply” for the job; you can set up mock interviews. Once students have achieved their job, have them locate advertisements for housing and transportation in an area that would be convenient to their work. They should also determine costs and how they will pay for furniture for their home and any other large purchases they may need to finance. Then, have them determine additional expenses and set up a budget. Are they able to afford everything they need on their new salary? How many extras can they afford?



## At-Home Discussion Topics

### Budget Killers

Have students complete the Budget Killers Handout on page 48 with their parents. As a family, see how much they can save if every family member reduces impulse and extra spending for a year. What suggestions do parents have for additional ways to save money? Do students have any ideas for their parents?

## Lesson 8 Reducing Your Need for Student Loans



Come up with creative ways to reduce your spending and your need to borrow to pay for education.



Changing your perspective.

1. What does it mean to change your perspective in relation to student loans? Ask students what, if anything, they thought about student loans in general before experiencing Student Loan Game Plan. Did they think that taking out student loans was no big deal? Did they feel that the amount of the loans they might need to take out doesn't really matter? Do they feel differently now that they've seen how the loans add up in comparison to their anticipated salaries? One of the biggest challenges for borrowers is to understand the total amount they will need to repay and change their spending habits during college so that they are less likely to borrow more than they can comfortably pay back.
2. How much do you spend in a week? Where do you get the money? How could you spend less? One tip for spending less is to keep a small amount of cash on hand and try to spend only that in one week, without using credit or debit cards. Do students think this is a good idea? Why or why not?
3. What are you doing to decide on a career, if you haven't already chosen one? Did the previous exercises help students see that knowing their career preferences, and choosing one that allows them to make enough to pay their expenses including student loan payments, will allow them to plan for their financial future? Once students have decided on a career choice, they can take action to better prepare themselves for that career and make themselves more attractive as job candidates. They can choose elective classes in college that give them additional but related skills, work part-time jobs or internships that better relate to their future job duties, and join student and professional organizations that will give them contacts and a better understanding of the issues other people in that job face, among other actions.



### Use available resources.

1. The Student Loan Pro Tips resource within Student Loan Game Plan provides several ideas for using academic and career resources available to you in college. What resources are available to you now? How many of them will you use and why or why not? Revisit the discussion you had about scholarships and grants earlier. Students should understand that researching these types of gift aid options now will allow them to apply early if they can and to better prepare themselves to earn the awards if they can't apply yet. Students may also be able to find some internship, research, volunteer, military and job-shadowing opportunities if they would like to explore careers or increase their working knowledge of the career they have chosen. Another resource available before college is 529 plans, or college savings accounts. Students and their families can make contributions to a state-based plan and withdraw the money tax-free for qualified college expenses later. Finally, students can use the web and meet with their school counselor to narrow their college choices and determine their future cost, class requirements and estimated time in school.



### Cut your living expenses.

1. How could you reduce your housing expenses in college? Although larger colleges and universities offer on-campus housing, there is a fee. Have students research the cost to live in on campus at some local institutions and compare that to the cost of renting an apartment near campus. As students find information, remind them that they will also need to pay extra for utilities off campus. If the school offers free Internet access from dorms, they will need to add the cost for that as well for an accurate comparison. If the off-campus housing is very far from campus, they may need to add in extra transportation costs. Is a bus or other public transportation available in the area? Will students need to have a car with all its related expenses to live off campus? Is the apartment large enough to share with roommates who can split the cost of rent and utilities? Some students may suggest living at home or with a family member or friend while they attend college.
2. How does maintaining your health save money? Healthy students are less likely to miss class and more likely to be able to complete assignments, improving their chances of graduating on time (which saves the cost of extra semesters in college). In addition, they will be less likely to spend money on prescriptions and over-the-counter medication.
3. How can you entertain yourself and your friends less expensively? Ask students what they do now for entertainment. Do they pay for subscription services? Do they watch movies? Go out to eat? How can they still have fun but spend less money?



### Raise your income.

1. Do you work one or more jobs now? What are you doing with your earnings? What could you do differently to better prepare yourself financially for the future? Students who don't work or who work only a little should be able to see that finding a job or increasing their paid work hours will allow them to start saving money for college. In addition, spending less on entertainment now means more to spend on college later.
2. Will you work while you finish your education, and why or why not? What are some of the advantages and disadvantages of working while you're going to school? Help students understand that while they are in school, focusing on academics is important, but they will likely have plenty of time in their schedule to work at least a few hours

a week to earn money. On-campus job opportunities may allow students to work on homework during slow times, and some studies show that working 15 to 20 hours a week while attending college improves academic success. It might be because students that work have a more organized schedule. Some disadvantages to working while you're attending school include less time for other activities, possible conflicts between work schedules and large projects or exams, and the limitations on the number of classes a student might be able to take in a semester if he or she has a demanding job.

3. What other tips do you have for raising income? Would students be comfortable asking for a loan from a family member at a lower interest rate than they can qualify for through a lender? What about taking on additional duties in or outside their families for pay? Have students who have jobs ever changed to a higher-paying job or have they stuck with the same job for some time?



## Useful Websites

ISL Education Lending  
Student Loan Pro Tips Videos  
<http://bit.ly/SLProTip>

Time Management Tools  
[http://www.sjsu.edu/people/annette.nellen/website/time\\_management.htm](http://www.sjsu.edu/people/annette.nellen/website/time_management.htm)  
<https://bigfuture.collegeboard.org/get-started/inside-the-classroom/8-ways-to-take-control-of-your-time>  
<http://www.dartmouth.edu/~acskills/success/time.html>  
<http://timeman.com/time-management-tips/time-management-tips-for-students>



## Additional Topics

### Lunchtime

If your school offers a la carte lunch items, challenge students to calculate the price for individual items versus the amount the school charges for a hot lunch. In a week, how much more would they spend on a la carte lunches, choosing the items they like to eat most? What other consequences (nutritional, waste of food, etc.) does this have?

### Managing Time in College

Have students imagine that they are enrolled full-time in college, taking 15 credit hours, or five classes, each meeting for an hour three times a week. Tell them that many experts recommend spending three hours for studying or homework for each hour a college student is in class. How much time would they have to work outside of their academic commitment? How much do they think they could earn each semester working those hours at a little more than minimum wage? How much more would they be able to earn during summer and holiday breaks? Are they willing to forego some free time and special trips to work and earn money?



## At-Home Discussion Topics

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### Work-Life Balance

Students may ask their parents what is most important to them. Do they want to attend all their children's school events and activities? Do they plan a getaway every year? Is physical fitness part of their daily lives? Enjoying quiet time? How do they manage to fit in all the things they want to do around their work and family commitments? How important do they feel maintaining a balance between work and at-home life is? How can students use some of their parents' strategies as they plan to start their own lives after high school?

# Career Information

Use this sheet to keep a list of potential careers and their associated education costs and earnings.

Job Title	Education Required	Estimated Cost of Education	Actual Cost of Education	Total Student Loan Debt	Average Starting Salary

# Loan Terms

Term	What I think this means ...	What it really means ...
Accrued interest		
Annual percentage rate (APR)		
Capitalization		
Comaker		
Consumer reporting agency		
Cosigner		
Credit history		
Credit report		
Default		

Term	What I think this means ...	What it really means ...
Deferment		
Delinquency		
Disbursement		
Discharge		
FAFSA		
Forbearance		
Forgiveness		
Garnish		
Grace period		
Interest		
Principal balance		

Term	What I think this means ...	What it really means ...
Repayment		
Subsidized loan		
Term		
Unsubsidized loan		

# Loan Terms

Term	Definition
Accrued interest	Interest accumulates on the principal balance, or unpaid portion, of a loan.
Annual percentage rate (APR)	The APR is the annual rate charged for borrowing money, expressed as a percentage. It includes any fees or additional costs, including yearly interest, associated with the loan.
Capitalization	Accrued interest that is not paid may be capitalized, or added to, the principal balance of the loan. If you don't make interest payments before beginning or resuming loan payments, the interest on your loans may be capitalized, increasing the principal balance. Each time interest is capitalized, the principal balance increases and may result in higher monthly payment amounts or a longer repayment term.
Comaker	A comaker is one of two joint borrowers on a federal PLUS or consolidation loan or a private loan. Comakers agree to same terms and conditions.
Consumer reporting agency	Often called credit bureaus, consumer reporting agencies collect and report information on individuals' borrowing and financial habits. Lenders often review a consumer credit report before approving loans.
Cosigner	A cosigner agrees to pay for another person's debt if that person doesn't meet his or her obligations. Borrowers who have a poor credit history, or haven't established one, often need to provide one or more cosigners.
Credit history	Your credit history shows information about previous credit accounts you've opened and the payments you've made. Lenders use your credit history to judge how well you will be able to repay new debt.
Credit report	Consumer reporting agencies generate a credit report with information received from lenders and organizations with which you have a financial relationship. This information contains details about your financial transactions and payment history.
Default	Failure to repay a loan according to the terms a borrower agreed to can result in default.
Deferment	A deferment is an authorized, temporary postponement of your payment schedule. You must meet certain requirements to qualify for a deferment, and interest may accrue during periods of deferment.
Delinquency	Your account becomes delinquent when you miss a payment or fail to make your payment on or before your payment due date.
Disbursement	A student loan is disbursed when the money is transferred from a lender to the school or borrower. A student loan may be disbursed to you or to your school over multiple dates.
Discharge	Under a few infrequent circumstances, student loans may be discharged, or canceled.
FAFSA	The Free Application for Federal Student Aid is the first step to qualifying for federal student loans and other types of financial aid for college. This free form is available online at <a href="http://www.studentaid.ed.gov/fafsa">www.studentaid.ed.gov/fafsa</a> .
Forbearance	A forbearance is an authorized, temporary postponement of your payment schedule. You must meet certain requirements to qualify for a forbearance, and interest accrues during periods of forbearance.
Forgiveness	All or part of a federal student loan may be forgiven, or canceled, if you meet certain requirements.
Garnish	Wages may be garnished, or withheld by an employer to be paid directly to the government or a lender, for repayment of debt.

Term	Definition
Grace period	Subsidized and unsubsidized federal loans have a six-month grace period, during which you are not required to make payments on your student loan. The grace period begins the day after you graduate, leave school or drop below a half-time enrollment status. Your repayment period begins the day after your grace period ends. Once a grace period is used in its entirety, it may not be used again.
Interest	When you borrow money, you are often charged interest by the entity that loaned you the money. When you pay back your loan, your payments go toward interest and principal (the amount you borrowed).
Principal balance	Your principal balance includes the original amount you borrowed, plus any loan fees and capitalized interest, minus any payments you have made.
Repayment	The repayment period begins with the borrower's first payment due date and ends when the loan is repaid in full. Often, repayment on student loans does not begin until the borrower has graduated, dropped below halftime or otherwise left school.
Subsidized loan	The federal government pays interest on subsidized federal loans when they are in an in-school status or in an authorized deferment or grace period.
Term	The length of time it takes to repay a loan in full is described as its term.
Unsubsidized loan	The borrower is responsible for all interest on an unsubsidized federal loan from the date of the first disbursement until the loan is paid in full. Many lenders encourage you to make payments that at least cover the interest during periods of deferment, forbearance, in-school or grace to avoid capitalization.

# What Kind of Spender Are You?



## 1. When it comes to saving money:

- A. I know I ought to be saving, but I never seem to be able to.
- B. I really enjoy saving. In fact, I spend a lot of time and energy thinking about how to save.
- C. I have trouble saving money, and this bothers me sometimes.
- D. I spend only for things I really need.
- E. Saving comes naturally to me. I save regularly.

## 2. As far as credit cards are concerned:

- A. I often forget to pay my credit bills – I get a lot of warning notices because I haven't sent payments in on time.
- B. I don't mind charging lots of things if I know I can pay off my credit card bill quickly, but if I can't, I think about my credit card bill a lot.
- C. I tend to use credit cards often, but I always make the minimum payment.
- D. I prefer not to have a credit card at all. I use mine as little as possible.
- E. I always avoid using a credit card. I prefer paying by cash or check.

## 3. When I want a certain item but it costs more than I have:

- A. I'll buy it and figure out how to pay for it later.
- B. I save for it first; then I buy it.
- C. I'll buy it or charge it, even if I can't afford it.
- D. Most of the things I want are not luxury items, so I can afford them. On occasion when I do want something outrageous, I may buy it, but the purchase will make me feel very uncomfortable.
- E. If the item is important enough to me, I'll figure out how to adjust my budget to buy it. If it isn't that important, I'll forget about it.

## 4. When I'm feeling down in the dumps:

- A. Spending money does not cheer me up.
- B. Hatching plans to make more money makes me feel better.
- C. Spending money always cheers me up.
- D. Spending just makes me feel worse. Spending has nothing to do with happiness.
- E. Spending is the last thing I would do, but putting more money in savings or a solid investment might lift my spirits.

# What Kind of **Spender** Are You?



## **How did you do?**

Go back and look at how you answered.

### **If you chose mostly A answers,**

You are an Avoider- You put off making money decisions.

### **If you chose mostly B answers,**

You are a Collector. You like to see your money make money.

### **If you chose mostly C answers,**

You are a Spender. You enjoy spending and think little about how to pay for your purchases.

### **If you chose mostly D answers,**

You are a Thinker. You care about others who have less than you do, and you often feel guilty about having more than they do.

### **If you chose mostly E answers,**

You are a Miser. You like to save every penny. You do not enjoy spending money.

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# Avoid Budget Killers

Cutting back on small expenses can lead to large savings over time.

Budget Killer	Cost	Savings in One Year
Bottled Water	\$1 (daily)	\$365
Fast Food	\$5 (weekly)	\$260
Movie Ticket	\$7 (weekly)	\$364
Vending Machine Snacks	\$1 (daily)	\$365
Pizza Delivery	\$10 (weekly)	\$520
Video Game Purchase	\$50 (4x per year)	\$200

Add some of your own ...		
1.		
2.		
3.		
4.		
5.		
6.		

Discussion/Alternatives:

# Budget Worksheet

Income	
Monthly Earnings	\$
Expenses	
Deductions	\$
Insurance	\$
Retirement	\$
Housing	\$
Food	\$
Transportation	\$
Utilities	\$
Entertainment/Communication	\$
Personal Care and Household Items	\$
Student Loan Payments	\$
Other Expenses	\$
<b>Total Expenses</b>	\$
<b>Balance</b>	\$