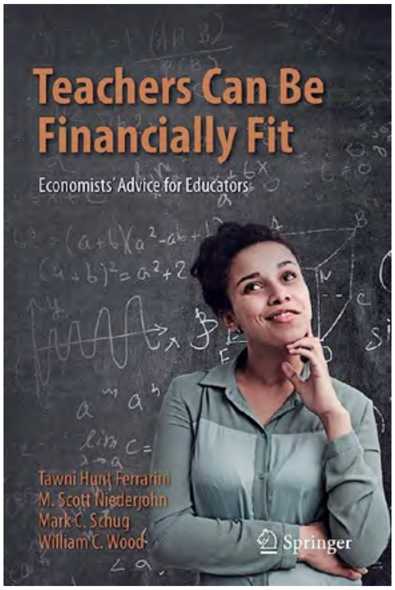
Teachers Can Be Financially Fit

Workbook for Teacher Training



BOOK CLUB DISCUSSION QUESTIONS

1. Each chapter begins with a story about a teacher. What is your favorite story? Least favorite story? Why?
2. What do you think are the authors' views on money and happiness? Do you agree?
3. Why do the authors stress the importance of getting started saving early? Why is this concept so important for teachers?
4. Why do you suppose that so many Americans do not save enough?
5. Is having a written, monthly budget all that it is cracked up to be?
6. What are positive reasons for teachers to have side gigs? What are negative reasons?
7. Of all the car buying tips presented in Chapter 4, what strikes you as being the top one or two that you could use?
8. Given where you are right now in your teaching career, do you think you should be a renter or a home buyer? Why?
9. In what ways are using credit from heaven? Hell?
10. What steps could teachers with low credit scores take to improve their credit scores?
11. What do you think are the best ways for teachers to be able to invest early, buy and hold for the long term, and diversify?
12. If you are a public-school teacher, what is the health of your state retirement system? What might be some steps you could take to strengthen your financial position in retirement?
13. What are the advantages and disadvantages of the tenure system in public schools and in higher education? Overall, do the benefits outweigh the costs?
14. What advice would you give to your students or your children regarding student loan debt?
15. What types of insurance are most important for you and your family at this point in your career?
16. Does everyone really need to have a will? Why? Why not?
17. What is the natural resources paradox? Discuss examples of nations today who, based on their natural resources should be rich but, instead, are poor.
18. What do you think are the two most important characteristics of a market economy?
19. What does it mean to say: "Don't Keep It a Secret?"
20. Are you familiar with any of the resources presented in Chapter 14? Discuss ones you think seem appropriate for students at your grade level and subjects.

CHAPTER 1: Yes, Teachers Can Be Financially Fit

The first chapter highlights the idea that financial security promotes happiness and emphasizes the importance of making good financial choices. A key quotation is on p. 4: "Although money is not everything, having enough money is important. How do you keep score?" One way to keep score is by calculating your net worth.

Net Worth Worksheet

Use the following net worth worksheet to list your assets and liabilities. Then, calculate your net worth using the formula at the bottom. Commonly, veteran teachers have a positive net worth while beginning teachers may have a negative net worth due to college loan or car loan debt.

Assets

Assets	Amount
Market value of home	
Checking account	
Savings account	
Other savings	
Cash value of life insurance	
Retirement account IRA	
Retirement account IRA	
Investment account	
Investment account	
Market value of car 1	
Market value of car 2	
Other	
Other	
Total	

Liabilities	Amount	Minimum Monthly Payment	Interest Rate (%)
Mortgage (current balance)			
Home Equity Loan			
Credit Card			
Credit Card			
Credit Card			
Car Loan			
Car Loan			
College Loan			
Personal Loan			
Other			
Other			
Total			

Net worth = Total Assets ($) **– Total Liabilities** ($) = $

Reflection Questions

1. Was your net worth number bigger or smaller than you expected?

2. How do you expect your net worth to change over the next five years? The next 10?

CHAPTER 2: **SPENDING AND SAVING:** A GUIDE FOR TEACHERS

Chapter 2 discusses the importance of budgeting, setting financial goals, and making good choices for teachers to achieve financial security. It emphasizes the need to spend less than you earn, save regularly, and take advantage of the power of compound interest to increase wealth over time. As the authors point out, "Regardless of where you are with respect to money management, everything starts with a budget."

Budget Worksheet Exercise

The following budget worksheet elaborates the content presented in Table 2.1 in Chapter 2. This worksheet is a template for a family monthly budget. It includes a place to enter monthly income followed by 10 typical categories of spending. It also includes suggested guidelines for percentages in each category. The guidelines are just rough and ready estimates. Things will vary depending on your circumstances.

Gather your financial records and do the first draft of the worksheet. It can be a little painful. Many times, people have to do more than one draft, looking for ways to reduce spending to reach their saving or giving goals.

If this budget worksheet does not fit your circumstances very well, there are many others online. See, for example, https://www.tiaa.org/public/pdf/tc_life_insurance_budget_worksheet.pdf.

Budget Worksheet

Income per Month	Amount
Salary 1	
Salary 2	
Other	
Total Income:	

1. Giving (Guide 1-10%)	Amount
Charity 1	
Charity 2	
Total Giving:	

2. Savings (Guide 15-20%)	Amount
Emergency Fund	
Replacement	
Long Term Goal	
Long Term Goal	
Total Savings:	

3. Debt (Guide 1-10%)	Amount
Credit Card 1	
Credit Card 2	
Credit Card 3	
Credit Card 4	
Education	
Education	
Bank Loan	
Bank Loan	
Family	
Total Debt:	

6. Insurance (Guide 3-5%)	Amount
Cars	
Homeowners	
Life	
Total Insurance:	

8. Entertainment (Guide 1-10%)	Amount
Dining Out	
Movies/Other	
Babysitting	
Travel	
Hobbies	
Fitness	
Total Entertainment:	

9. Professional (Guide 10%)	Amount
Legal	
Child Care	
Dues	
Other	
Total Professional:	

4. Housing (Guide 30%)	Amount
Mort/Rent/Taxes	
Electric/Gas	
Water	
Cable	
Other	
Total Housing:	

5. Auto (Guide 10-15%)	Amount
Car Payments	
Gas/Bus/Train	
Oil/Lube	
Total Auto:	

7. Household (Guide 15-20%)	Amount
Groceries	
Clothes	
Gifts	
Alcohol/Tobacco	
Cosmetics	
Beauty/Barber	
Books/Music	
Allowances	
Technology	
Education	
Pets	
House	
Household Items	
Other	
Total Household:	

10. Small Cash (Guide 2-3%)	Amount
Estimate	
Total Small Cash:	

Total Expenses:

$ ______________ **Total Monthly Income**

– $ ______________ **– Total Monthly Expense**

= $ ______________ **= Monthly Gain/Loss**

Reflection Questions

1. Were there any category totals that you found to be bigger than expected? Smaller?

2. When faced with financial challenges, one natural reaction is: "Let's spend less on food." Is that a realistic response for your household?

3. What is the one place in your budget worksheet where you could most easily reduce spending right now?

CHAPTER 3: EARNING EXTRA INCOME

Chapter 3 highlights the importance of developing human capital through education and professional development. It also explores alternative sources of income for teachers, including part-time work and entrepreneurial ventures. As the authors conclude: "If teachers take note of the advantages they have—like excellent retirement and health care benefits, a flexible schedule, and lots of time off in the summer—it may be possible to significantly enhance their income."

Case study: Barracuda Barrel

Kellen, a high school business teacher, was inspired by the popular TV show "Shark Tank" to run a student competition for business ideas. To avoid copying the show's name, she called the competition "Barracuda Barrel." In teams, her students came up with business plans to present to a panel of teachers in a vacant classroom after school. Out of her own pocket, Kellen paid for $15 Starbucks gift cards for the winners. Unfortunately, the competition did not generate much excitement. Read the suggestions below and then come up with ways for Kellen to make next year's competition better:

Suggestions for running a pitch competition at your school

The background for this idea is that teachers are often encouraged to consider entrepreneurship opportunities to earn extra income. Maybe teachers will have a business idea that could qualify to participate in a pitch competition in their local community. However, teachers might also consider running a school-based competition using the following simple steps:

1. Investigate school alums, community businesses, or foundations that might be interested in supporting such a program for your students. Money for refreshments and modest prizes for the top pitches can make these programs more attractive for students to participate in.

2. Assemble a panel of judges from the local community to evaluate the student pitches and determine the winners. Local entrepreneurs, fellow teachers, and those from financial institutions with experience evaluating loan applications might be great candidates for this role.

3. Advertise the competition widely in school. Consider running a pre-event to help students brainstorm business ideas to pitch. A proven method for brainstorming business ideas and generating good pitch content is the "business model canvas" technique which you can learn about online and through short YouTube videos.

4. Provide a format for the student pitches and keep them short. Examples of good student pitches can be viewed on YouTube.

5. Award your winning teams and have fun! Make sure your school or district's marketing and public relations teams are aware of your event and look for opportunities to feature in the media.

Having read these suggestions, what are your top three suggestions for Kellen?

1.

2.

3.

Reflection Questions

1. What partners exist in your community to assist with entrepreneurship-related initiatives?
2. What challenges would need to be overcome to run a pitch competition at your school?

CHAPTER 4: TEACHERS' WHEELS: CARS AND TRANSPORTATION

Chapter 4 shows how teachers can make sensible car choices to achieve reliable transportation at a low overall cost. After showing the wealth-building potential of smart car choices, the chapter offers advice on simplifying the car shopping process, avoiding complex deals, and avoiding bad outcomes while negotiating. All in all, the chapter concludes, "with good decision-making, keeping things simple and keeping things slow, you can have great transportation on your way to building a secure future."

Case Study: Should Megan Buy an Electric Car?

Megan is considering replacing her aging car with something new. She has owned her car since student teaching days. She likes the idea of an electric car that will cost less to run and will also have a gentler environmental impact. As luck would have it, she finds an article in *Car and Driver* online (**https://www.caranddriver.com/shopping-advice/a32494027/ev-vs-gas-cheaper-to-own/**) comparing the costs of a car she's considering that comes both in gasoline and electric models, the Hyundai Kona.

As she reads the article, she remembers what the Hyundai sales representative told her about the electric version—that she'll spend less for fuel (by charging instead of filling up) and less on maintenance (because there's less to break on an electric car). But the sales rep also pointed out that the electric version costs more. Here's how the *Car and Driver* calculation came out:

Three-year operating costs for Hyundai Kona vs. Hyundai Kona Electric

	Kona	Kona Electric
Maintenance	$4,428	$3,573
Gas or Charging	$5,162	$2,548
Depreciation	$9,795	$15,305
Total 3-Year Cost	$19,385	$21,426

1. If Megan considers only these dollars and cents, which car will she choose? (Circle one)

A. Kona **B.** Kona Electric

2. If Megan is still considering only dollars and cents and she gets a $7500 tax credit for buying the electric version, which car will she choose? (Circle one)

A. Kona **B.** Kona Electric

3. Other than dollars and cents, what other factors might Megan consider? Which factors would make the electric car look better? Which would make the gasoline version look better?

Reflection Questions

1. To dig deeper, read the *Car and Driver* article at **https://www.caranddriver.com/shopping-advice/a32494027/ev-vs-gas-cheaper-to-own/** and then answer: How sure are you that these cost numbers will turn out to be correct?

2. Based on the description of Megan in Chapter 4, "Teachers' Wheels," do you think she will buy a new car or a used car? Pay cash or finance it?

3. Based on the descriptions in Chapter 4, are you more like Megan (paying off a modest car) or Terry (always leasing a new luxury car but never owning one)?

CHAPTER 5: **WALLS AND A ROOF:** HOUSING FOR TEACHERS

Starting with a case study and the "rent or buy?" decision, this chapter shows how buying a home can be a good long-term strategy for most teachers. The chapter also provides insights into factors like affordability, mortgage loans, and the process of house-hunting. It concludes by observing that on a teacher's pay you cannot afford to make big housing mistakes—but if you do your homework and remain patient, you will do fine.

Case Study: But We Wanted a House Close to Our School!

Pat teaches at Wayland James Elementary School and Chris teaches at Ashby Turner High School. The schools are located right together at 800 N. Main St. in Watertown, a charming community of 4000 people. But that's the problem: The town is so charming that real estate there is very expensive. They can find less expensive housing out in the county but face a much longer commute. They have narrowed their housing search to three possibilities, all of which they like in different ways. Still, the properties are very different:

	Ft.^{2} Living Space	Lot Size	BR	BA	Condition	Price	Monthly Payment	Distance to School
1	1,628 ft^2	.25 acre	3	2	Fair	$381,400	$2,234	2.7 mi
2	1,054 ft^2	.10 acre	2	1	Excellent	$252,700	$1,481	1.7 mi
3	2,178 ft^2	2 acre	4	3	Very Good	$370,000	$2,159	17.2 mi

Pat and Chris are planning to start a family within a year or two, but right now it's just the two of them. Should they buy something close to school, or get more room farther away? Should they buy a move-in-ready house or something that will need work? Can they consider adding on in the future?

1. Make a recommendation on which house they should buy.

2. Explain your reasoning fully.

House No. 1: Close to everything in Watertown, this classic farmhouse-style structure was originally built as a one-room school in 1906 and converted to a private residence in 1936. It has electric baseboard heat and an included True North wood stove for those cold winter nights. Features an eat-in country kitchen. This house is loaded with potential for the handy one, sold as is.

House No. 2: Handicap ready with one-level living, this home is cute as can be. This home features a pretty tile motif in the foyer floor. Two nice sized bedrooms with closets, large laundry, large eat-in kitchen, room for dishwasher to be added. This home has real appeal. Quiet street, excellent location near to dining and shopping in central Watertown.

House No. 3: Backing up to undeveloped forest, this stately home boasts a large master suite, an open concept first floor and a wonderful back deck to entertain guests or relax after a long day. The back yard is fenced and ready for your pets, while the entire first floor has new kid-and-pet-friendly vinyl plank flooring.

Reflection Questions

1. Which do you think will be a greater concern over the long term: the commute to school from House No. 3 or the 1906-1936 construction of House No. 1?

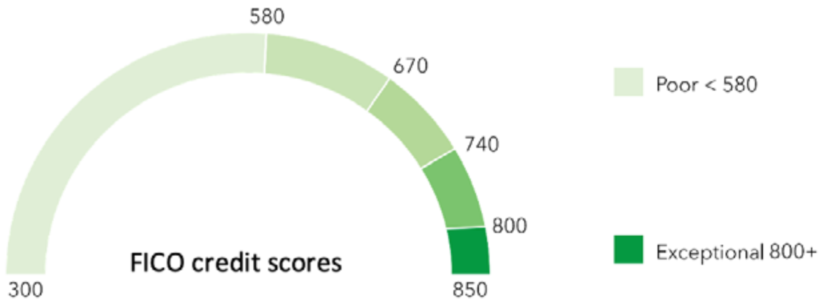
2. If you were making this choice, is there one of the three alternatives you could rule out right away, leaving a more manageable head-to-head choice? Which one? Why?

CHAPTER 6: MANAGING CREDIT AND DEBT

Credit can have both positive and negative effects in educators' financial strategies. Using credit responsibly can help people acquire valuable assets and handle emergencies—but misuse of credit can lead to major difficulties. Credit scores play a significant role in determining eligibility for loans, insurance rates, and even job offers. This chapter helps teachers use credit positively while avoiding credit traps.

Activity: More on Credit Scores

Credit scores provide a way for lenders to predict how likely a person is to pay back a loan on time. FICO stands for Fair Isaac Corporation, a company that provides lenders with formulas to figure out credit scores. FICO is one of the most common credit score models that lenders use. Most credit scores range from 300 to 850. Usually a high credit score makes it easier to qualify for a loan and may result in a better interest rate.

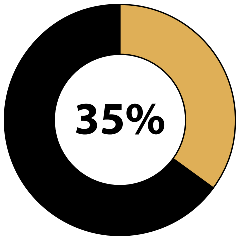


How Are Credit Scores Calculated?

Credit scores are based on the information in a person's credit report. The way you use and repay debt affects your credit score. Paying loans on time and staying well below your credit limit helps you get and keep good credit.

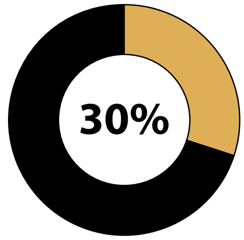
FICO Model

FICO (calculated using scoring models designed by Fair Isaac Corporation) is one of the most commonly used credit scores. Take a look at all the things that go into determining a person's credit score:



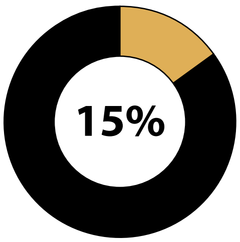
Payment History

Whether a person is paying bills on time and as agreed.



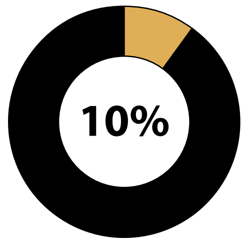
Total Debt, Balances, & Utilization

Total owed and available credit remaining.



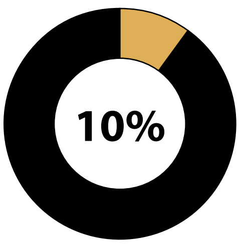
Length of Credit History

How long a person has had an account or loan.



New Credit

All new loans or accounts and all creditor credit report requests.



Types of Credit Used

All credit cards (revolving credit) and loans (installment credit).

1. An appliance sales representative tells a hesitant couple to go ahead and apply for credit on a washer and dryer, just to see if they qualify, even though they have not made up their minds on the purchase yet. "It won't hurt to apply," the sales representative says. Is it true that this application will not affect their credit score?

2. Jen opened a department store credit card 20 years ago when she was in college but now realizes that she rarely uses it. Should she close the account to improve her credit score? Explain.

Reflection Questions

1. Some popular personal finance influencers recommend that you not have a credit score at all—that is, by closing all credit accounts, within six months getting a report of "no score" instead of zero or some other number. Would that be a good idea for your household?

2. Do the above factors in credit scores directly include a household's net worth? Is that good or bad? Is it possible to be wealthy but also a bad credit risk?

CHAPTER 7: INVESTMENT BASICS FOR TEACHERS

Chapter 7 stresses three rules for building wealth for the long term: *Start early* to get compound interest working for you. *Buy and hold*, which means contributing to your long-term savings regardless of what is going on in the stock or bond markets. And *diversify*. That means you spread your long-term savings over many sectors. Many economists suggest placing long-term investments in low-cost mutual funds that hold a wide variety of stocks. As the chapter points out, the long-term results can be impressive.

Activity: But What If I Want to Pick Particular Stocks?

Although experts recommend holding mutual funds instead of trying to pick particular stocks, it is still a good idea to know the basics of how to do research on companies. Owning individual stocks comes with risks and rewards. Understanding company stocks can help reduce the risk of poor decisions—and it can be fun. Here's how to start exploring:

Step 1: Go to **https://finance.yahoo.com**

- Yahoo! Finance is part of the Yahoo! network. It provides an abundance of financial news and information.
- Let's focus on the information it provides on individual companies.
- Imagine that you would like to explore the idea of buying stock in The Walt Disney Company.

Step 2: Check out the Ticker Symbol

- A ticker symbol is a code that is used to identify the stock.
- The ticker symbol for Disney is DIS.
- Enter DIS into the search function and it will pull up information on Disney. (You'll also find a lot of material by entering DIS into a general search engine such as Google or Bing.)

Step 3: Closing Price

- Look at the previous closing price.
- Compare the previous close to where it is trading now. The current price is listed near the top of the screen.

Step 4: 52-Week Range

- How has Disney been doing over the last year?
- Is Disney currently trading near the top or bottom of the 52-week range or somewhere near the middle?

Step 5: Price Chart Over Various Time Periods

- Scroll over to the chart.
- You can find how a share of Disney traded over one day, five days, one month, six months, year to date, five year, and max (the most years available).

Step 6: Beta

- A common stock research tool is a statistic called the beta (Greek β).
- Scroll over to the columns on the left and look for beta in the second column on the right.
- Beta is a measure of how volatile a stock is.
- The market as a whole has a beta of 1.
- Stocks that have a beta of greater than 1 are more volatile.
- "More volatile" means they will go up and down more than the market does, in percentage terms.
- Stocks with a beta under 1 are more stable than the overall market.
- Companies with higher betas might bring more risk but may be good choices for investors seeking higher returns.
- What is the beta for Disney today?

Step 7: Price-to-Earnings Ratio (P/E Ratio)

- Another common stock research took is called the Price-to-Earnings Ratio.
- The P/E Ratio measures the current share price relative to the company's earnings or profits.
- A high Price-to-Earnings ratio could mean the company's stock is overvalued or that investors are expecting high future growth.
- To better understand Disney's P/E, investors usually look at the P/E ratio of other competitors.
- Compare Disney to Universal Studios, whose parent company is Comcast (ticker: CMCSA).

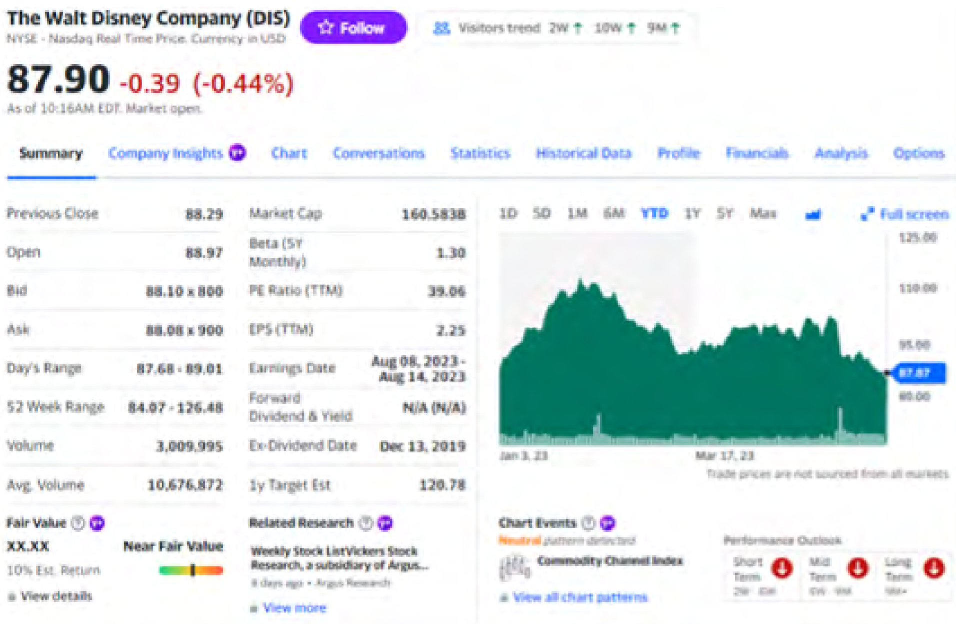
Step 8: Explore Other Companies

- Yahoo! Finance has a ton of more information on Disney and many other companies.
- Other areas of Yahoo Finance are Volume, Dividend and Yield, and News. Also check out Historical Data, Analysis, Holders, and so forth.

Step 9: What Do You Recommend?

- Would you want to own shares in Disney?
- What are the potential costs?
- What are the potential benefits?

Here is an image showing what you can find at Yahoo! Finance.



Reflection Questions

1. Suppose a stockbroker studies a 30-minute activity on how to teach a class at your grade level. Do you think the stockbroker would now be a good substitute teacher for you? Why or why not? Can you become a good investor by doing a 30-minute activity? What would a stockbroker say?

2. Let's say you conclude that Disney is ready for a big positive move because of its P/E ratios and new movies coming out. You enter an order to buy Disney stock at the current market price and the order is completed. You bought and someone else sold. That means that someone else in the stock market was ready to unload Disney stock. Do you think you are smarter than that (unknown) seller? Why or why not?

CHAPTER 8: RETIREMENT FOR PUBLIC SCHOOL TEACHERS

Chapter 8 begins with the story of Tom, who turned out to be terrific at saving for retirement. Tom began by contributing only the minimum amount to his 403 (b) plan but each year he increased it until he reached the maximum contribution allowed by the government. In retirement, he'll have his 403 (b), state teacher retirement, and Social Security. But why did his 403 (b) savings grow so nicely? In Chapter 2, we introduced the idea of compound interest and explained that this is why "…you can turn small amounts of savings into impressive amounts of future income…"

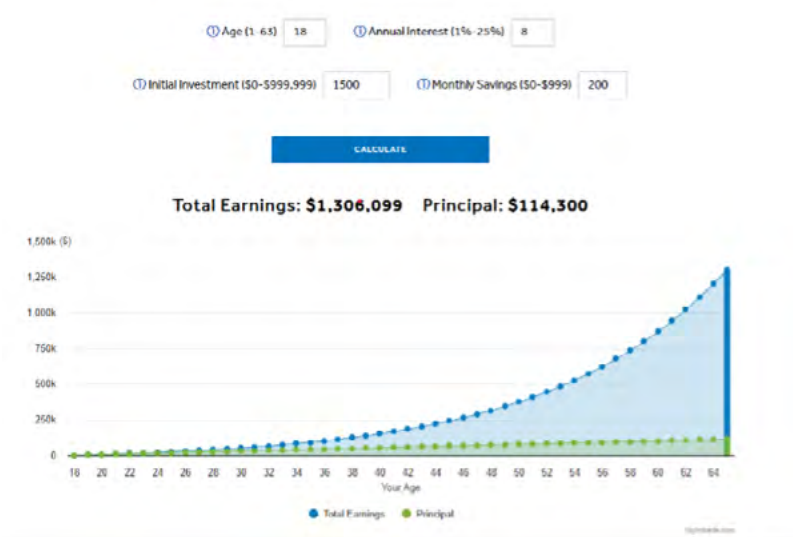
Compound Interest Worksheet

Amaze your family, friends, and students by demonstrating the compound interest calculator available from the Council on Economic Education:

Step 1: Follow this link to the Council on Economic Education Compound Interest Calculator: **https://www.econedlink.org/resources/compound-interest-calculator/**

Step 2: In the box for age, enter 18. In the box for interest rate, enter 8%. (The ten-year return on a typical mutual fund is around 8.5%.) In the Initial Investment box, enter $1,500. In the monthly savings box, enter $200 in the monthly savings box. Then, hit calculate.

Step 3: Here is the image that will pop up.



Step 4: This image demonstrates the power pf compound interest. We contributed $114,300 (principal) over this time but had total earnings of $1,306,099.

Step 5: Run several other calculations with different ages, savings, and so forth. The exact results will differ but the pattern will always be the same.

Step 6: Get started receiving the benefits of compound interest if you have not done so already. Starting late is better than not starting at all.

Reflection Questions

1. If long-term success is as easy as regularly contributing starting early in a teaching career, why does it seem that so few teachers are wealthy as they approach retirement?

2. Is your school system's retirement plan fairly generous or not? How do you form an opinion about that question?

CHAPTER 9: SAVING FOR RETIREMENT: OPTIONS FOR CHARTER AND PRIVATE SCHOOL TEACHERS

Chapter 9 shows how charter and private school teachers face distinctive challenges in saving for retirement. It is important for these teachers to contribute to retirement accounts like 403 (b), IRA, or SEP plans and to let the accounts grow without early withdrawals to ensure financial security in retirement. The authors point out, "It's essential for you to understand the types of retirement plans that are available for you, and how you can use them to start building wealth." Many teachers we know just don't get around to getting started. Let's change that.

Individual Retirement Account (IRA) Worksheet

Chapter 9 explains how employer-based 403 (b) plans work, but in this activity we are going to dig a little deeper into IRAs. Both Traditional and Roth IRAs are good investment accounts to consider. These are investment accounts you set up through a financial institution separate from your employer. You run the show here, not your employer. Let's review how these accounts work and then compare the advantages and disadvantages.

How a Traditional IRA Works

- You do this on your own, not with your employer.
- You and a spouse may contribute up to $6,500 if you are under 50. ($7,500 if over 50.)
- Contributions are before-tax dollars.
- Contributions grow tax deferred.
- Dividends and capital gains are not taxed until you are at least 59 ½.
- Required Minimum Distributions (RMDs) begin at age 73.

How a Roth IRA Works

- You do this on your own, not with your employer.
- You and a spouse may contribute up to $6,500 if you are under 50. ($7,500 if over 50.)
- Contributions are after-tax dollars.
- Funds within Roth IRA grow tax free.
- You may withdraw funds tax free after age 59½.
- The income limit is $138,000 single, $228,000 married.

Now, let's compare the advantages and disadvantages.

Advantages of a Traditional IRA

- Your contributions are pre-tax dollars so this saves you money on current income taxes.
- Contributions grow tax deferred.

Disadvantages of a Traditional IRA

- At age 73, you are required to begin withdrawals from a Traditional IRA.
- These withdrawals are called Required Minimum Distributions (RMDs).
- We don't know anyone who enjoys paying tax on RMDs.

Advantages of a Roth IRA

- Your contributions are after-tax dollars. You already paid income taxes on the contributions.
- Contributions grow tax free.
- No RMDs—leave your contributions in as long as you wish.

Disadvantages of a Roth IRA

- Provides no current income tax benefit.
- There is an income limit (but most teachers would be below it).

1. Given the analysis above, do you think you should open an IRA?

2. If so, which sort of IRA—Traditional or Roth—seems to be the best fit for your circumstances?

Reflection Questions

1. If you think taxes are relatively low now and predict that they are likely to be much higher in the future, would that one prediction make you *more likely* or *less likely* to put money into a Roth IRA?

2. What reasons are there to believe that taxes may be much higher in the future?

CHAPTER 10: THE HIGHER EDUCATION CONNECTION

Chapter 10 comes just after a series of chapters on retirement planning. Our advice on retirement planning is distributed over those three chapters and is touched on in several others. We thought that a tip sheet to review retirement options at this point might be helpful. There is a tendency to let this sort of thing (an important item but without immediate urgency) just drift along without taking action.

Retirement Planning Worksheet

Please complete this checklist to see how you are doing.

- [ ] Set up an emergency fund probably in a savings account or a money market account. It should include three to six months of income. This idea is not to dip into retirement savings when you hit an emergency such as an unexpected car repair or a trip to the dentist.

- [ ] Check out your state retirement website. Learn how the system works. You might be surprised at how much information is readily available. You should be able to:
    - Look at your statement of benefits.
    - Calculate your benefits.
    - Seek out the videos and other resources provided by your state retirement agency to help you understand the system and guide you through things such as how to apply for benefits, beneficiary designations, divorce issues and more.

- [ ] If you have paid into Social Security, visit the Social Security Administration website at **https://www.ssa.gov/**. If you have not done so, be sure to open a "my Social Security" account to get complete online access. (This also preempts an identity thief from opening an account under your name and Social Security number.) As explained in Chapter 10, you can review your earnings history and use the calculators to geta clearer picture regarding your Social Security income in retirement.

- [ ] Take advantage of tax advantaged retirement accounts at work. That probably means opening a 403 (b) plan with your employer if one is offered. Contributions are automatically deducted from your paycheck. Begin with smaller contributions and increase them each year until you reach the maximum permitted by the government. Visit at least annually with the agent that manages the account.

- [ ] Take advantage of your own tax advantaged retirement accounts. This means setting up an Individual Retirement Account with a financial institution. Consider a Traditional IRA or a Roth IRA. See the worksheet in Chapter 9. Have contributions automatically withdrawn from your checking account and deposited in your IRA.

- [ ] Save money from your occasional gig work. If your gig work or side hustle grows into a small business, consider opening another tax advantaged retirement account called a Simplified Employee Pension (SEP). You set this up with a financial institution such as a bank or a brokerage. The plan resembles a 403 (b) plan and gives you yet another retirement savings option.

- [ ] Get your legal documents in order. Prepare a will. Assign financial power of attorney to a trusted person. Consider establishing a living trust or a revocable trust to avoid probate and to help ensure that your wishes are followed after your death. Ease the burden on your family and friends by providing instructions regarding your funeral.

Reflection Questions

1. Why is it hard to do things that you know have a potentially important long-run impact, such as saving money for retirement from gig work or side hustles?

2. You probably know some teachers who have experienced significant successes and disappointments in their entrepreneurial ventures. What do you think made the difference?

CHAPTER 11: EDUCATORS AND INSURANCE

Chapter 11 shows that teachers face risk everywhere. Insurance is presented as a common method of managing risk, along with other options such as assuming the risk or reducing it. This chapter provides strategies for making good insurance decisions in different areas, such as car insurance, home insurance, life insurance, and health insurance. The chapter concludes, "with a modest amount of care and effort, risk can be managed. The result will be lower risks of loss and potentially large savings of money."

Case Study: Insurance and Annuities: What Price Certainty?

Your great-aunt Alda* has asked for help with a financial decision. She says that although it involves an "annuity," she thinks it comes down to an easy calculation that you can help her with.

A retired schoolteacher, Alda is 89 years old. She is living in a paid-for house with a comfortable but not extravagant combination of Social Security and a defined-benefit pension. Her question now is about a $147 check she gets each month from an annuity set up by her late husband. She heard a radio talk show host say "annuities are garbage" and she wonders if that's true in her case. The radio host recommended cashing out annuities and putting the proceeds into an "income fund," and then setting up fixed withdrawals.

Her choice is:

- Continue to receive $147 a month guaranteed for life, or
- Receive a lump sum of $49,569.90 and take monthly withdrawals from it.

1. Before doing any calculations, which choice do you think is a better deal for Alda? (circle one)

   A. Monthly payment **B.** Lump sum

2. If Alda took the $49,569.90 and put it in bank checking receiving 0 percent interest, how many months would the money last if she withdrew $147 a month?

   ______________________________ **($49,569.90 divided by $147 a month)**

3. How many years is that many months? __________ **(Number of months divided by 12)**

4. Here are some statistics on an income fund from a leading provider. (Remember that there's no guarantee a fund will achieve its long-term averages in the future. Or, as the commercials say, "Past performance is no guarantee of future results."):

Total Return	
Year to Date	4.21%
3-Year Average	-0.78%
10-Year Average	3.03%

a. Based on the table above, if Alda goes with the income fund idea, will her income fund ever lose money from year to year? Explain.

b. Do you think the income fund would be better than a bank checking account for Alda if she takes the lump sum?

5. If Alda goes with the income fund idea, how much would you recommend she withdraw per month? (Important note: This is a judgment call, not a calculation. Look at the table below, derived from **https://www.bankrate.com/investing/annuity-calculator/** and provide your judgment.)

$ ______________ **(Your recommendation about a monthly withdrawal)**

Money Withdrawl	Estimated time until money runs out
$150	59.0 years
$200	32.3 years
$300	17.8 years
$400	12.4 years
$500	9.5 years

6. Finally, based on Alda's case, do you agree with the radio host's opinion that "annuities are garbage"?

A. Yes **B.** No

(Note: The $49,569.90 figure came from a phone call to the annuity provider asking how much would be available in a lump sum if Alda cashed out. The telephone associate reminded Alda that if she kept the annuity, it would never go down and never run out.)

(*Although this situation is made-up, the numbers are real. A real-world Alda faced this choice in 2018. She chose the income fund, with $300 per month withdrawals. So far, she has withdrawn $20,800 from the account, but the income fund has earned back more than $5500, leaving her balance still in the neighborhood of $35,000. And yes, the income fund lost money from time to time but also had some positive gains—and most importantly to her, the check arrives every month like clockwork.)

Reflection Questions

1. Is the idea that an annuity would never run out or go down appealing to you? What would it take for you to give up that certainty?

2. What do you think about the general advisability of seeking financial advice based on what a talk radio host has said?

CHAPTER 12: UNCONVENTIONAL RISK MANAGEMENT

Chapter 12 discusses unconventional risks in life, such as sudden deaths, job losses, divorces, and other unexpected events. It shows how you can prepare by organizing important documents, creating a will, setting up advance directives, maintaining appropriate insurance coverage, and planning ahead. As the chapter concludes, "A more prepared you is more capable of handling the downturns in life."

Activity: Estate Planning

Estate planning allows you to control how your assets are distributed after your passing. Each person's estate plan looks different, varying with family dynamics, household situations, and other circumstances. Still, gathering a few core documents and implementing a strategy can benefit you and those important to you when the need arises. Remember to secure the necessary documents and relevant account information in a safe location. Here is a list of five broad sets of items to include in the safe place of keeping:

1. **Designation of Beneficiaries.** Designate where the funds remaining from your life insurance, 401(k), 403(b), IRA, and such will go. This can often be done online. Designating beneficiaries will ensure that funds are distributed directly to those you identify on eligible accounts. The distribution here overrides a will or trust. So, make a list of all your accounts and make notes on how designated beneficiaries can get access to funds if needed. To make sure that you'll start, quickly list all of your accounts right now. Then follow up with expanded research and make a folder with documents to quickly connect your funds and beneficiaries. Finally, as circumstances changes, make sure that you keep your designations of beneficiaries current.

2. **Will.** Your will, known formally as a "last will and testament," directs how your money and property will be distributed after your estate is settled. Even a basic will is better than letting the legal process known as "probate" decide what happens. It ensures that those you identify will benefit from your estate after any estate taxes or probate costs are paid. Templates are found online. Professionals can advise you about how to best manage your situation, given state and federal laws. Let your will frame your wishes, especially if you have children or other dependents.

3. **Healthcare Directive.** Identify who will act on your behalf in medical matters if you become incapacitated and cannot communicate. Your healthcare directive will help family, healthcare providers, and caretakers do what you want under various conditions you identify in advance.

4. **Power of Attorney.** Identify who can act for you in financial, business, and real estate matters if you cannot act for yourself. Think about those you might trust with that responsibility. There are many different powers of attorney available, so find or construct one that accurately reflects your wishes. You'll also need to specify the circumstances under which it can be activated.

5. **Living Trust.** This document directs how your estate will be managed for the care of dependents if you are out of the picture. A living trust helps your dependents stay out of court and protects their privacy. Most importantly, it assures that your estate helps you implement your goals and wishes for your dependents. A living trust is especially recommended if you have others currently 100 percent dependent on you.

The most important step in estate planning is the first one: making a start, no matter how small. To make that start, fill in the table below:

Your Legal Name, Address, and Best Phone Number:	
Date:	
Location of Estate Documents:	
Trusted Person 1 (Name and Information):	
Trusted Person 2 (Name and Information):	

Then get going on the rest! From the many online resources, find what works best and devise a plan that makes sense for you. Discuss it with those you trust. Consult with an estate attorney or trusted advisor to check for overall soundness. Finally, don't forget to collect all pertinent documents, including information on all digital assets, and place copies of the documents and information on how to access them in a safe and secure location.

Reflection Questions

1. Doing things such as organizing important documents and maintaining insurance coverage cannot fully insure against the sorts of losses described in this chapter. Why are they worth doing anyway? Think about how you would make the case to a reluctant friend.

2. What can you do to help a friend who suffers a sudden and unexpected loss?

CHAPTER 13: TEACHERS IN A MARKET ECONOMY

Teachers can't help noticing that the differences in standards of living between rich and poor countries are significant. This chapter shows how the wealth of a country is not solely determined by its natural resources but more importantly by its economic system. In market economies, prices play a crucial role as signals, incentives, and facilitators of voluntary exchanges, allowing for efficient allocation of goods and services. This chapter helps teachers understand their roles as educators within the context of the larger economic system.

A Top Ten: Economics That's OK to Read on Vacation

Here are ten quick and easy reads that would make for great book club discussion while learning more about economics:

1. ***The Armchair Economist*** **by Steven Landsburg (235 pages):** One of the first popular press books designed to make economic accessible to everyone. The book is structured around interesting questions that illustrate the power of economic thinking.

2. ***Basic Economics*** **by Thomas Sowell (396 pages):** The longest book in this list, this common-sense book approaches economics with examples from centuries of history. Devoid of graphs or statistics, this book still covers the topics one might expect to encounter in a principles of economics college course.

3. ***The Big Short*** **by Michael Lewis (252 pages):** The book that inspired the well-known movie exploring the causes of the financial crisis and recession of the late 2000s. Told from the personal perspective of interesting people that, in different ways, saw the problems coming.

4. ***Common Sense Economics*** **by James Gwartney and other authors (232 pages):** An easy read that addresses the big ideas in both economics and personal finance.

5. ***Freakonomics*** **by Steven Levitt and Stephen Dubner (320 pages):** A fun read that uses the tools of economics to study issues in crime, cheating, sports, and parenting. There are now four books in the series as well as a provocative podcast.

6. ***Free to Choose*** **by Milton and Rose Friedman (314 pages):** A classic book based on the PBS television series of the same name. This book's ideas continue to be debated today. This book is sure to elicit interesting discussions about the public policy questions of today.

7. ***How Innovation Works*** **by Matt Ridley (388 pages):** An investigation of where the dramatic improvements in our living standards come from. The book explores the economic, scientific, and technological effects that have led to the most impactful innovations in world history.

8. ***Naked Economics*** **by Charles Wheelan (236 pages):** Demystifying buzzwords and revealing the facts behind oft-quoted economic numbers, and answering the questions you were always too embarrassed to ask.

9. ***Nudge*** **by Richard Thaler and Cass Sunstein (271 pages):** Applies to tools of behavioral economics to discuss ways that we are all susceptible to biases that can lead to bad decisions. What "nudges" might help us overcome these problems while maintaining free choice?

10. ***The Why Axis*** **by John List and Uri Gneezy (241 pages):** Two experimental economists explore the hidden motives of people. The conclusions of this work reveal the policies that can really work in addressing social, business, and economic problems.

Reflection Questions

1. Which of these ten books looks the most appealing to you, just from the short description?

2. What would your friends say if you told them you were taking an economics book with you to the beach?

CHAPTER 14: DON'T KEEP IT A SECRET

Chapter 14 emphasizes the importance of teaching financial literacy. It highlights varied resources for teachers to support their efforts in personal finance education and highlights the connection between financial fitness and overall success in life. The authors conclude, "Helping others with financial matters in turn provides overall satisfaction and contributes to your own happy living."

Personal Finance Worksheet: Contacts and Resources

"Choose your way" to financial fitness by making your efforts habitual. You may start by filling in the blanks below to devise a personalized list of useful resources. You'll want to build a financial support team and gather information on the specialized support that team members can provide. You'll also want to combine in-person help with some of the abundant online and in-person resources listed below the worksheet. Remember that you're seeking to become a habitual budgeter, regular saver, thoughtful spender, well-diversified investor, wise user of credit, and smart insurance consumer.

Use this worksheet to provide contact information and list the useful personal finance services, tools, and resources in each of the following areas—as they apply to you.

Your Human Resources Department and School District

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____

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Your Bank and Financial Institutions

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Wisconsin Benefits System (https://etf.wi.gov/benefits - if eligible)

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Online and In-Person Resources

360 Degrees of Financial Literacy for Educators (**360financialliteracy.org/educators**). This website and all resources are developed or closely reviewed by the American Institute of Certified Public Accountants (AICPA). Resources, tools, and articles are designed to meet the needs of educators and pique their interest in using the power of sound decision making to increase financial security and build wealth.

403bwise (**403bwise.org**). 403bwise.org is a website dedicated to helping educate non-profit and public sector employees about their 403(b) retirement plans. Unbiased information, trusted resources, instructive guides, and interactive tools can help people make informed decisions about their retirement savings. 403bwise is a non-profit organization managed by a full-time teacher, Dan Otter. The founder of NextGen Personal Finance (**ngpf.org**), Tim Ranzetta, supports 403bwise. More expansive in the range in financial topics, NextGen connects educators with free resources, professional development, and advocacy tools to help them equip their students with the knowledge and skills to lead financially successful and fulfilling lives.

MoneyGeek's A Guide to Personal Finance for Teachers (**moneygeek.com/financial-planning/resources/personal-finance-for-teachers/**). Use this webpage to find a list of teacher discounts, debt, loan, and mortgage support services, and more. This comprehensive website provides a variety of curated personal finance resources and information relevant to teachers.

Teachers Insurance and Annuity Association (TIAA) (**tiaa.org**). TIAA provides retirement planning and financial services specifically for educators and those working in academic, research, and cultural fields. TIAA not only offers its participants a range of resources, tools, and personalized advice, but there are also numerous freely accessible resources available to the general public.

National Endowment for Financial Education (NEFE) High School Financial Planning Program (**hsfpp.org**) and other resources designed for high school students can provide teachers with valuable information and strategies for budgeting, saving, investing, choosing between different insurance plans, and overall financial decision-making. The materials are available free for classroom and personal use.

Join a Future "Teachers Can Be Financially Fit Book Club." Mark your calendars and participate in an upcoming book club. Reach out to your Teachers Can Be Financially Fit partner, and schedule some of the authors. We're available for in-person or remote sessions with you to take a deep dive into the book's educator scenarios. Invite other educators to join and bring in local experts to build a community aimed at improving financial fitness at your school and throughout your district.

Explore. Search for personal finance resources that target general audiences. Many of these are beneficial for teachers. There are a wide range of books, podcasts, and online courses. Some of our favorites include *The Total Money Makeover* by Dave Ramsey, *I Will Teach You to Be Rich* by Ramit Sethi, *Get Good with Money* by Tiffany "The Budgetnista" Aliche, and *The Millionaire Next Door* by Thomas J. Stanley and William D. Danko.

Inquire. Finally, look for financial wellness programs or local resources designed by teachers for teachers. They may be in your backyard. There may be former teachers who have moved on and are now specialists working at financial institutions, for community non-profits, or sitting in your school district's human resources department. Reach out to them. They may be ready to be called into action.

Reflection Questions

1. When you see free financial education materials provided by a financial institution such as a brokerage or bank, are you suspicious of the institution's motives? What if the materials come from a trusted source, but are funded by a grant from a financial institution?

2. What are the social barriers to helping younger teachers with their own personal finances? How can they be overcome?