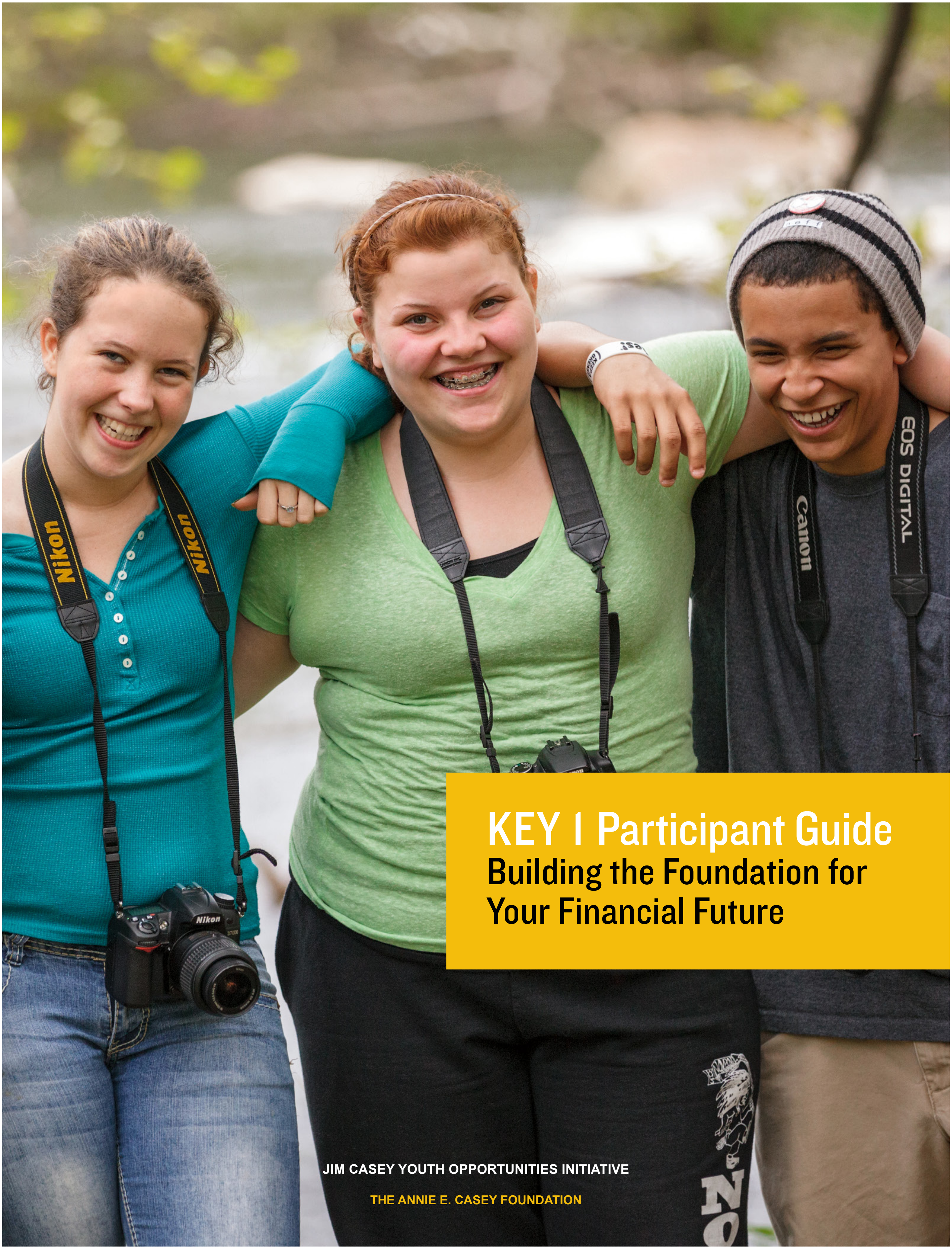


KEY 1 Participant Guide

Building the Foundation for Your Financial Future

JIM CASEY YOUTH OPPORTUNITIES INITIATIVE

THE ANNIE E. CASEY FOUNDATION

KEY 1

Building the Foundation for Your Financial Future

"Building the Foundation for Your Financial Future" is the first key in *Keys to Your Financial Future*, a financial capability curriculum for young people. This key covers creating a vision for your life, exploring your values, setting goals and identifying the resources needed to reach them and building assets. Key 1 also examines how financial capability can lead to economic security.

What You'll Find in This Key

What You're Going to Know or Be Able to Do

By the end of this section, you'll know or be able to do the following:

- ☐ **DESCRIBE** your vision.
- ☐ **IDENTIFY/NAME** your values.
- ☐ **IDENTIFY** influences on values and how you use money.
- ☐ **SET** goals.
- ☐ **IDENTIFY** resources needed to accomplish your goals.
- ☐ **CALCULATE** saving targets to reach your goals.
- ☐ **DEFINE** financial capability and asset building and identify assets that make up an asset-building portfolio.

"It has been a long journey, but if you dream and have the ambition and want to work hard, then you can achieve."

~ Mo Farah
British Distance Runner

A vision is not just a statement about where you want to go; it is a description of your hopes and dreams. It's a statement or picture of what you want to build with your life. It provides direction and inspiration to you.

YOUR VISION:
The Key to Building Your Financial Future

What does it mean to have a vision for your life? Having a **vision** is not only about knowing what you want to do with your life, but also about seeing it.

KEY ACTIVITY

Isabella's Vision

Isabella is 19 years old. She is struggling to manage her many responsibilities. She works 25 hours a week as a server in a local restaurant, is trying to get her GED® in six months and is busy raising her 2-year old son, Samuel. Her foster parents help with child care, but even with this help, managing rent and other living expenses has been hard. Despite her struggles, Isabella knows what she wants for her life. Her priority is to make a better life for Samuel than she had; she wants Samuel to have a great life. She plans to go to college to get a degree in accounting. She wants to work for an accounting firm and can see herself getting her master's degree someday. She sees herself living in her own home, having a garden and two dogs and being in a community with good schools. She sees herself volunteering in Samuel's school and her community of faith and plans to find other opportunities to volunteer. She also sees herself staying in this community — close to her foster parents, her grandmother and several close friends.

How would you describe Isabella's vision?

What is one thing Isabella can do today to make her vision a reality?

Why is having a vision important?

How is having a vision related to <u>financial capability?</u>

Key to Your Financial Future: My Vision (Option 1)

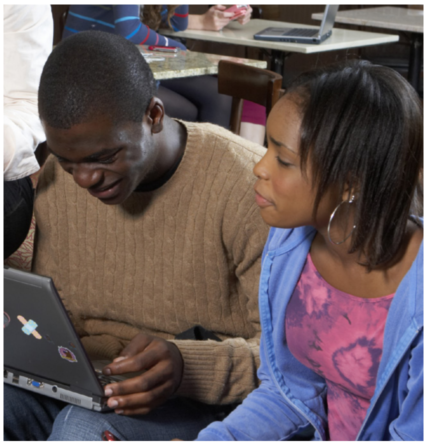
Use the following questions to help you develop a vision statement for yourself. You can write it down or draw it.

- **What do you dream about for yourself?**
- **How do you see your life five years from now? Ten years from now?**
- **What career do you envision for yourself? Do you plan to run your own business?**
- **Do you have/hope to have a partner/spouse? What do you dream about or hope for your partner/spouse?**
- **Do you have/hope to have children? What do you dream about or hope for your children?**
- **Do you want to own a home?**
- **Do you want to travel? Live a creative life? Be of service to others?**
- **What do you want to accomplish with your life?**

Key to Your Financial Future: My Vision (Option 2)

Use the following scenario to help you develop a vision statement for yourself.

Pretend you are 100 years old, happy and healthy. You are writing a letter to a friend or family member that is the age you are now. Tell them about the life you have led to get to be 100 years old. What have you done that you are proud of personally and professionally? What brought you joy and fulfillment in your life? What do you see around you that shows you are truly happy with your life? What advice would you give to them?



YOUR VALUES:
The Reason Behind Financial Decision Making

Values are beliefs that are most important to you. Your vision is based on your values.

KEY ACTIVITY

Isabella's Values

Look back to Isabella's story and the way you described her vision.

What values do you see reflected in Isabella's vision?

Your values serve as the foundation for your vision. The decisions you make and the actions you take are also based on your values.

People generally don't think about their values. Being aware of your values can give you information about the reasons you make certain choices. **But many things influence your values.**

What influences your values?

Media can also influence you to make choices that don't reflect your values.

Media can create unrealistic expectations.

The media is a major influence on values. Media can also influence you to make choices that don't reflect your values. Media can create unrealistic expectations. Often this is what gets people into trouble when it comes to managing their money. Through images people see on social media, on television and in movies or messages they hear in songs, they end up with an inaccurate view of how most people live. People will spend what it takes to live this unrealistic lifestyle and this can lead to financial trouble. Media can create unrealistic expectations of what is a regular lifestyle.

How do you think media influences your friends' values? Your values?

KEY ACTIVITY

Values Ranking

Rank each value 1 through 12. If there is something missing from this list, add it — “Other (you define).”

VALUE	RANKING (1 through 12)	REASON FOR RANKING (Optional)
1. An exciting life		
2. A sense of accomplishment		
3. Financial security		
4. Freedom		
5. Happiness		
6. Love		
7. Relationship with family and friends		
8. Self-respect		
9. Service to others		
10. Fame		
11. Spontaneous or carefree life		
12. Faith		

KEY Concept

WRITING YOUR GOALS

Just thinking about your goals is not enough. Writing goals is an important step.

Sharing your goals with others and putting them somewhere you will see them every day will help make you more accountable to them.

By seeing your goals daily, you are more likely to make decisions that will lead to achieving your goals.

SETTING GOALS:
Turning Your Dreams and Vision Into Reality

Goals are simple, clear statements about where you want to end up. Setting and writing goals can help you take your vision and turn it into reality.

Goals can be short term or long term. A short-term goal is something you want to do within a year — it can be by the end of a day, end of the week, within a month or by the end of the year. A long-term goal takes more than one year to accomplish.

SMART Goals

One way to make goals simple and clear is to make them SMART. SMART stands for:

- **specific:** this means your goals are focused, not general;
- **measurable:** this means that you can tell whether your goal has been achieved, and there is some way to measure your results;
- **achievable:** goals should be challenging and cause you to reach, but they should be attainable;
- **results oriented:** goals are written to focus on the end you are trying to achieve; and
- **timebound:** there is a specific time by which goals will be reached, and they are not open ended.

KEY ACTIVITY

Identify the SMART Goals

Identify which goals are SMART. For those that are not SMART, circle the reasons the goal is not SMART.

EXAMPLE GOAL	SMART	NOT SMART	
I will save $500 for an emergency fund in an account at the credit union in the next nine months.		Not specific Not measurable Not achievable	Not results oriented Not timebound
I will be healthier.		Not specific Not measurable Not achievable	Not results oriented Not timebound

EXAMPLE GOAL	SMART	NOT SMART	
I will complete the credits I need to finish high school by May of next year.		Not specific Not measurable Not achievable	Not results oriented Not timebound
I will buy a car.		Not specific Not measurable Not achievable	Not results oriented Not timebound
I will save $1,000 in a savings account during the next 12 months for a down payment on a car.		Not specific Not measurable Not achievable	Not results oriented Not timebound

Goals state your destination. They give direction and purpose for your plans. You can't make a plan without a goal.

This applies to how you get and use your money, too. A **budget** is just a plan for how you get and use your money. You can't make a budget without having goals.

KEY Concept

GOALS AND MONEY

Goals provide direction and purpose to how you plan to get and use money. A budget is a plan for how you use your money. Goals provide a purpose for making and following a budget. They also provide motivation for sticking to a budget.

Key to Your Financial Future: My Goals

Write three to four goals for yourself. Remember to think about short-term and long-term goals.

SMART GOALS	CHECK TO ENSURE EACH GOAL IS SMART	
	☐ Specific ☐ Measurable ☐ Achievable	☐ Results oriented ☐ Timebound
	☐ Specific ☐ Measurable ☐ Achievable	☐ Results oriented ☐ Timebound
	☐ Specific ☐ Measurable ☐ Achievable	☐ Results oriented ☐ Timebound
	☐ Specific ☐ Measurable ☐ Achievable	☐ Results oriented ☐ Timebound

SAVING FOR YOUR GOALS

All goals require dedication and commitment. Many goals need money. **For those goals that need money, your budget will be your plan for reaching them.**

The first step in making a budget or financial plan is setting your goals. You have done this!

The second step is figuring out the resources you need, including money to reach your goals.

Resources are all the things you can use to help you reach your goal. Once you know the resources you need, you can figure out how much you need to save each month to reach your goal.

KEY ACTIVITY

Zari Identifies Resources for Her Goal

Zari is graduating from a career and technical college in six months with a technical welding certificate. There will be many job opportunities for her. But she needs a car. She has been working on building a credit history so she can get an affordable loan from a credit union. She knows she'll need to save $1,000 for the down payment over the next six months.

Her SMART goal is: I will save $1,000 for the down payment on a car during the next six months.

What are some of the resources Zari may need to reach her goal?

Since money is one of those resources, you can figure out how much Zari needs to save each week to reach the goal within her time frame.

Amount needed:	**$1,000**
Weeks to save:	**6 months x 4 weeks per month = 24 weeks**
Weekly savings goal:	**$1,000 ÷ 24 weeks = $41.67 or $42 each week**

KEY Concept

RESOURCES AND YOUR GOALS

Resources are all the things you can use to help you reach your goals. The following are examples of resources:

- Dedication and commitment
- Time
- Expertise — other people
- Money
- Information
- A good credit score

Each goal you try to achieve will require resources. Not all your goals will require money. But all your goals will require your commitment and dedication.

"Success is about dedication. You may not be where you want to be or do what you want to do when you're on the journey. But you've got to be willing to have vision and foresight that leads you to an incredible end."

~ Usher

Once you have the **weekly savings target** for your goal, you can develop a budget to help you reach this as well as other goals. You can also set a monthly savings target by dividing the money you need for the goal by the number of months until the goal's deadline.

Figuring out your goals and the amount you need to save each week gives your budget a specific purpose. Your budget and your financial plans are about using your money to reach your goals and realize your vision in addition to paying your bills and living expenses.

Key to Your Financial Future: Savings Targets for My Goals

List your SMART goals. Then, identify the resources you need to reach each goal. Finally, figure out your savings target for each goal. Add up your savings targets for each goal to find out how much you need to save weekly to reach all your goals.

SMART GOAL	RESOURCES	MONEY NEEDED	WEEKS TO SAVE	WEEKLY SAVINGS TARGET (Money Needed ÷ Weeks)
Example: I will save $1,000 for the down payment on a car in the next six months.	*• Savings account in a federally insured bank or credit union* *• Identification to open savings account* *• Income* *• Budget* *• Ideas for saving* *• Accountability — I will tell a trusted adult about my goal* *• $1,000*	*$1,000*	*24 weeks*	*$42.00*
			TOTAL WEEKLY SAVINGS TARGET TO REACH ALL GOALS:	

If you find that the amount you need to save is more than your budget can handle, you can use the following strategies:

- **Prioritize your goals.** Some goals may have hard deadlines such as applying for a college or a technical school. You may also want to consider which goal is most important to reaching your vision and put this goal first.
- **Find other resources.** Before saving your own money, see if there are other resources for the goal. Are there other resources to help you start a business? Are there other resources to help you go to school? Other resources can help you direct your money to those goals where there are no additional resources.
- **Change the time frame.** With goals for which there is no hard deadline, consider changing the time frame. This will mean you will reach these goals a little later.

KEY Concepts

SAVING

Saving is setting aside some of your income today for use in the future.

SUCCESSFUL SAVING

People that save figure out ways to make their savings automatic. What does this mean? They generally decide once and set up a system that enables them to "save without thinking about it."

Direct deposit is one way to do this, but you must have a regular paycheck for direct deposit. You can have your paycheck automatically put into a savings account or split between savings and checking. You can also have your paycheck directly deposited onto a payroll card or prepaid card (prepaid debit card or reloadable prepaid card) if you don't have a bank account. Some of these having a savings or purse feature.

You can also set up rules for yourself. For example, your rule could be to save 10 percent of any income you receive.

Finding Money to Save for Your Goals

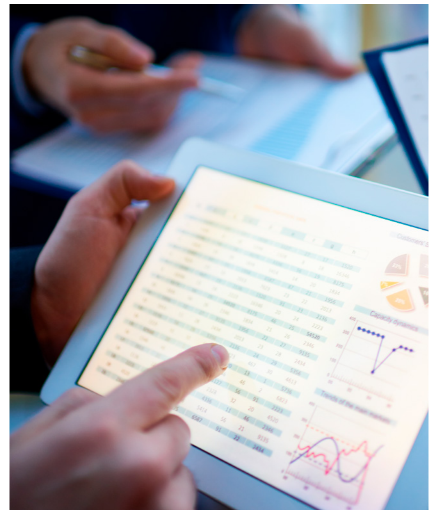
Saving is setting aside income today for use in the future. Your goals are some of those uses.

People that save successfully think about ways to make it automatic — you make the decision to save one time and then set up a system to make that happen. When selecting your savings strategies, see if you can find ways to automate your savings.

Here is a list of some ways to save for your goals:

- **Keep the change**. Designate a jar or box. Put all your change into this jar or box at the end of each day. Count it after one month. You may be surprised to see how quickly your change can add up.
- **Commit to saving in advance.** Decide that you will save 25 percent of all money you get in advance. If you get $10 from a family member or friend as a gift, you put $2.50 into your savings jar or account.
- **Use direct deposit.** If you have a job, have your paycheck deposited into a checking account and have a portion of that transferred to a savings account.
- **Cut back your spending on one thing** — coffee, meals out or music purchases — and redirect those funds to savings.
- **Shop smart.** Look for generic instead of brand name items. Use a shopping list — if it's not on the list, don't get it. Wait 24 hours before making any big purchases. Think about the following: Do you need the item? Will it help you reach your goals or your vision? **Save your savings from shopping smart.**
- **Pay your bills on time.** This will keep you from paying fees. Set up **automatic bill payment** for bills you pay regularly using online banking services. This will keep you from being late. But make sure you have enough money in your account when the bills are due and the money is automatically deducted from your **checking account** or **prepaid card**.
- **Save unexpected income.** If you get a gift, overtime pay or a **tax refund** you have not already budgeted, save that money.
- **Make a commitment to yourself.** Commit yourself to saving for your goals. This will help you lead the life you envision for yourself.

• **Other ideas for finding money to save for your goals.**



KEY ACTIVITY

Savings Strategies That Work for You

Review the list of saving strategies. Circle three strategies you think could work for you.

Keep the change.

Commit to saving in advance.

Use direct deposit.

Cut back your spending on one thing.

Shop smart.

Pay your bills on time.

Save unexpected income.

Make a commitment to yourself.

KEY
Concept

ASSET BUILDING

Asset building is about saving money and investing that money in assets that will help you achieve your goals and your life vision.

FINANCIAL CAPABILITY AND ASSET BUILDING: Keys to Reaching Goals and Economic Security

Financial capability is when you have knowledge, skills and access to information and resources to get, manage and use money to cover your living expenses, save for emergencies and the future and reach your goals and live the life you envision for yourself.

With financial capability comes the freedom to make choices, the ability to bounce back from financial setbacks and a feeling of agency and control over your finances now and in the future.

But what is **asset building**? To understand asset building, it is important to understand what an asset is.

What is an asset?

There are many kinds of assets. Different assets can help you do different things.

What are examples of assets?

An asset is something that **<u>you own</u>** that **<u>has value</u>**. For something to be your asset, **you must own it, be able to control it and be able to make decisions about it**. Value means the asset can be exchanged for money.

Some assets you can see and touch. These are called physical assets. **Physical assets** include cars, houses and business inventory. Assets also can be financial. Common **financial assets** are cash, savings, stocks and bonds.

Some assets are not financial or physical. They are often called **productive assets.** While these would never show up on a financial statement, they are extremely valuable. They help you get and keep other assets.

Examples of productive assets are your education, your skills, good work habits and positive credit scores.

Finally, **social connections** are another kind of asset, too. The relationships you have with others affect every aspect of your life. Building strong, positive relationships takes an investment of time, your attention and other resources. But having social connections improves your life and helps you get and protect your other assets.

Asset building is a key to economic security. Having assets helps you:

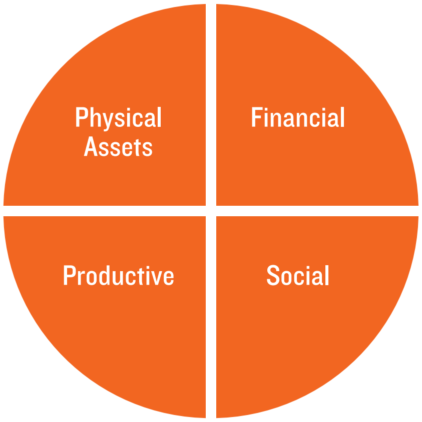
- Avoid financial crises — savings in the bank can help you deal with emergencies.
- Get a job — education or training may help you get a good job.
- Start a business.
- Own a home.
- Provide for yourself and your family.
- Stay connected to the people and places that are important to you.
- Achieve your goals and realize your vision.

KEY ACTIVITY

Is It an Asset?

Figure out whether each item listed below is an asset. If yes, determine which kind of asset it is. If no, check "not an asset."

	PHYSICAL	FINANCIAL	PRODUCTIVE	SOCIAL CONNECTIONS	NOT AN ASSET
Computer					
Credit card					
Social work degree					
Inventory in a business					
Good credit history					
Lunch at a restaurant					
An apartment					
On-the-job experience					
Supportive high school teacher					
Savings account					
Cell phone					
Cable television					
Health insurance					



Your Asset-Building Portfolio

A portfolio is a grouping of assets. Your asset-building portfolio is basically the assets you have and are working toward.

When it comes to your asset-building portfolio, you are looking for balance. This means you want to make sure you are investing in:

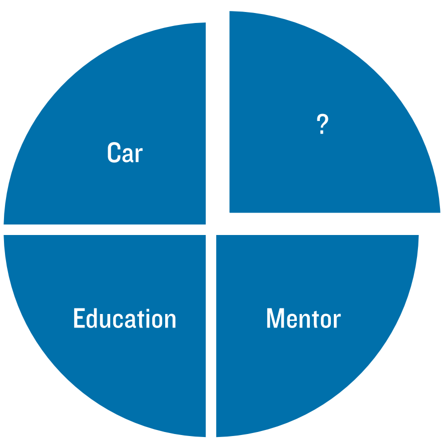
- physical assets;
- financial assets;
- productive assets; and
- social connections.

Sometimes people get focused on building one kind of asset without thinking about the others. What are the risks of not having a balanced asset-building portfolio? What could happen if you don't invest time, money and other resources in building one kind of asset?

KEY ACTIVITY

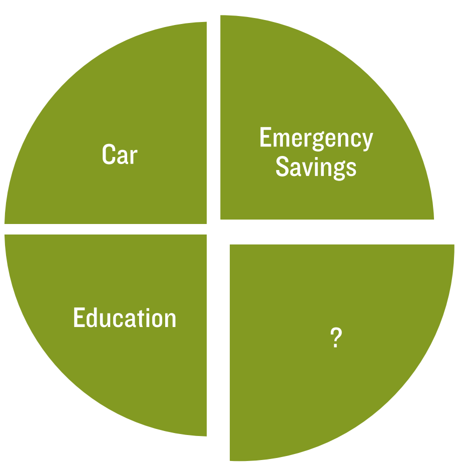
Risks of an Unbalanced Asset-Building Portfolio

Identify the risks associated with the asset-building portfolios below. List your recommendations for bringing each asset-building portfolio into balance.



Asset-Building Portfolio #1

RISKS	RECOMMENDATIONS



Asset-Building Portfolio #2

RISKS	RECOMMENDATIONS

Assets, Liabilities and Equity

Just as different assets help you do different things, the ways assets contribute to your economic security can depend on the kind of asset you have.

The most common way assets help build financial security is through equity. To understand equity, you need to know what a liability is, too.

A **liability** is something you owe. When people buy assets, they often borrow money to afford the asset. This creates debt. **Debt** is money you owe to another person, a business or the government. Debt is a liability.

The difference between the value of an asset and the liability owed on that asset is the equity of the asset. **Equity** is the part of the asset's value that would be left after a loan is paid in full.

Liability

is something you owe.

Debt

is money you owe to another person, business or the government.

Equity

is part of the asset's value that would be left after a loan is paid in full.

KEY ACTIVITY

Calculate José's Equity

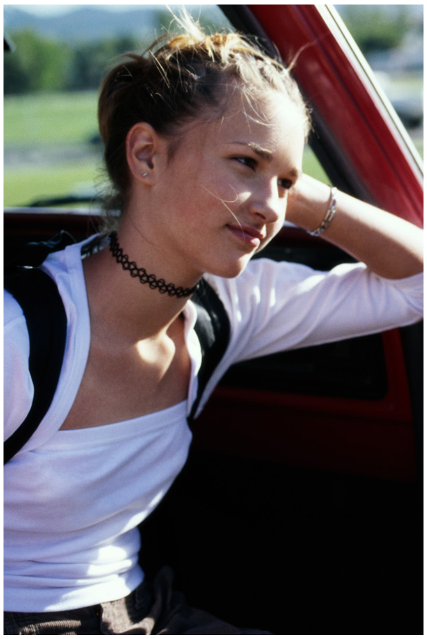
José is 19 years old. He wants to buy a car to get to his job and his classes at the career and technical training center. He has saved $500 for a down payment. He has found a good, used car. (He knows it's reliable and a good value from the research he did using *Consumer Reports* online and *Edmunds.com*.)

The car's value is $5,000. He needs to get a loan for $4,500. **What is the equity in José's car?**

While cars decrease in value over time, if they are well maintained, they can remain productive even if they are not worth much. So, a car is both a physical asset and a productive asset.

When the value of the asset is less than the liability, you are "upside down" in the asset.

Being upside down means there is negative equity.



People often invest in assets hoping their value will increase. While assets such as homes, businesses and investments can increase in value, this is not always true. All assets have the potential to decrease in value. This situation can be made even worse if the liability for an asset is more than the value of the asset. When the value of the asset is less than the liability, you are **"upside down" in the asset.** Being upside down means there is negative equity.

KEY ACTIVITY

Calculate Alicia's Equity

Alicia is 23 years old. She has a good, steady job and wants a truck. Many dealers are offering great deals on trucks. She has no money for a down payment, but the dealer is willing to give her financing. The new truck's value is $23,500. She borrows the full amount.

What is her equity the day she buys the car?

After one year, her truck would be worth about $18,095. Her loan balance would be $19,941.26.*

What is the equity Alicia has in her truck after one year?

While her truck is still productive, it has put her in a financially unstable position.

To avoid a situation similar to Alicia's:

- Understand whether an asset is likely to increase or decrease in value.
- Avoid borrowing the full amount of the asset.
- Understand what you can afford in terms of an asset, and then buy something that is worth about 60 percent of what you can afford. If you can "afford" a $10,000 car, consider looking at cars that cost $6,000. This builds in a cushion or margin for error.

This can prevent you from being upside down in an asset. It can also help ensure that the assets you invest in help build your economic security.

* The depreciation rate used was determined using the Money-zine.com car depreciation calculator. The average depreciation in one year is $5,405. The loan balance was determined by amortizing a $23,500 loan at 9 percent over five years.

WRAP UP:
Building the Foundation for Your Financial Future

Congratulations on finishing this section of ***Keys to Your Financial Future.***

Let's check what you learned:

1. A vision is not just a statement about where you want to go. It is a description of your hopes and dreams that provides direction and inspiration for your life.

   ☐ True ☐ False

2. A goal is a (select all that apply):

   ☐ a. Step-by-step plan
   ☐ b. Not anything you need to think about
   ☐ c. A simple, clear statement about where you want to end up
   ☐ d. None of the above

3. A SMART goal is:

   ☐ a. A goal that is not silly
   ☐ b. Specific, measurable, achievable, result oriented and timebound
   ☐ c. Special, meaningful, achievable, reliable and terrific
   ☐ d. None of the above

4. Values are beliefs that are most important to you.

   ☐ True ☐ False

5. What influences your values? *(select all that apply)*

   ☐ a. Your friends and peers
   ☐ b. Your family
   ☐ c. Social media
   ☐ d. Television programs
   ☐ e. Music
   ☐ f. All of the above
   ☐ g. None of the above

6. Which are resources ALL goals require? *(select all that apply)*

   ☐ a. Time
   ☐ b. Money
   ☐ c. A "how to" YouTube video
   ☐ d. Commitment
   ☐ e. All of the above
   ☐ f. None of the above

7. How much would this person need to save weekly to reach her goals? (Assume 50 weeks is the time frame.)

   I want to save $500 in an emergency fund.

   ☐ a. $5 each week
   ☐ b. $10 each week
   ☐ c. $20 each week
   ☐ d. None of the above

Continued on next page

WRAP UP:
Building the Foundation for Your Financial Future (continued)

8. An asset is something you own that has value.

   ☐ True ☐ False

9. What can you do to keep from owing more than an asset is worth? *(select all that apply)*

   ☐ a. Avoid borrowing the full amount needed to get the asset.

   ☐ b. Buy an asset for less than you can afford; this builds in a cushion.

   ☐ c. Buy an asset for more than you can afford.

   ☐ d. All assets appreciate, so this is not a concern.

“My journey continues, because I’ve, you know, conquered a lot. And I know how to conquer the rest.”

Mary J. Blige
Singer, Songwriter, Actress

Key Information From This Section

- ☐ **YOUR VISION IS A DESCRIPTION OF YOUR HOPES AND DREAMS** that provides direction and inspiration for your life including how you get and use your money.

- ☐ **YOUR VALUES ARE YOUR BELIEFS** that are most important to you and are the reason behind the decisions you make and the actions you take. But many things influence your values. Understand your values and what influences them.

- ☐ **GOALS ARE SIMPLE, CLEAR STATEMENTS ABOUT WHERE YOU WANT TO END UP.** Strong goals are SMART — specific, measurable, achievable, results oriented and timebound.

- ☐ **SMART GOALS CAN HELP YOU TURN YOUR VISION INTO REALITY.** They also provide purpose to your budget and other financial plans.

- ☐ **EVERY GOAL NEEDS RESOURCES.** All goals require time and commitment, but many goals require money. Figure out how much you need to save weekly or monthly for each goal by dividing the total amount of money needed for the goal by the number of weeks or months until the deadline.

- ☐ **FINANCIAL CAPABILITY AND ASSET BUILDING ARE KEYS TO ECONOMIC SECURITY.**

- ☐ **FINANCIAL CAPABILITY IS WHEN** you have knowledge, skills and access to information and resources to get, manage and use money to cover your living expenses, save for emergencies and the future and reach your goals and live the life you envision for yourself.

- ☐ **WHEN BUILDING ASSETS,** strive for a balanced portfolio that includes physical, financial and productive assets as well as social connections.

ABOUT THE ANNIE E. CASEY FOUNDATION

The Annie E. Casey Foundation is a private philanthropy that creates a brighter future for the nation's children by developing solutions to strengthen families, build paths to economic opportunity and transform struggling communities into safer and healthier places to live, work and grow.

For more information, visit www.aecf.org.

ABOUT THE JIM CASEY YOUTH OPPORTUNITIES INITIATIVE

A unit of the Casey Foundation, the Jim Casey Youth Opportunities Initiative® works to improve outcomes for all young people in the United States ages 14 to 26 who have spent at least one day in foster care after their 14th birthday — a population of nearly 1 million. Working with 17 sites across the country, the Jim Casey Initiative influences policy and practices to improve outcomes for teenagers and young adults who have experienced foster care as they transition to adulthood.