

Module 5: Applying Powers

TOPIC 3: FINANCIAL LITERACY: YOUR FINANCIAL FUTURE

This topic begins with students calculating and comparing simple and compound interest earnings to understand how money invested will grow over time. Students learn how to make financially responsible decisions based on analyzing the terms of loans and investments, which include the amount loaned or invested, the interest rate, and the length of time. Online calculators are used to determine the amount of time it takes to pay off a credit card, the interest amount, and the total debt payment when given the principal, interest rate, and monthly payment. Students also use this tool to determine the amount of monthly student loan payments, the total cost of the student loan, and the salary necessary to pay off the loan. Students learn that there are various options available to help fund their post-secondary tuition.

Where have we been?

In grade 6, students had to distinguish between debit cards and credit cards, and they learned why it is important to have a good credit history. In grade 7, students were introduced to simple and compound interest, which they continue to study in this topic.

Where are we going?

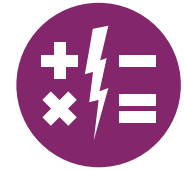
The culminating lesson of this topic sums up the importance of financial literacy for students' futures. It sends the following three-pronged message: (1) every student can benefit from some form of post-secondary education; (2) post-secondary tuition costs vary widely, and there is an option that makes sense and is affordable for every student; and (3) all students can find a way to manage the cost of post-secondary education.

Planning to Pay for your Post-Secondary Education

Hard work and careful planning is necessary not only to get into college, but also to pay for it. After you consider what is important to you, the different types of schools, and their relative costs, you can begin developing a payment strategy. There are a number of ways to get help with funding your post-secondary education.

- FAFSA is the Free Application for Federal Student Aid. It is a free application that makes you potentially eligible for grants, loans, and work-study funds each year.
- The Texas College Savings Plan is a savings plan specifically for Texas families saving for college. It offers tax-free growth, as well as tax-free withdrawals, for things like books, transportation, room and board, and other miscellaneous expenses related to education.
- The Texas Tuition Promise Fund[®] is a fund that allows you to lock in current undergraduate tuition rates by purchasing "units" to be spent at Texas public colleges and universities, excluding medical and dental institutions.
- Education IRAs or Education Savings Accounts are a type of investment that allows Texas residents to withdraw money from their retirement accounts, without penalty, to pay for college. Families may deposit up to \$2000 per child into this type of account.

Myth: “Once I understand something, it has been learned.”



Learning is tricky for three reasons. First, even when we learn something, we don't always recognize when that knowledge is useful. For example, you know there are four quarters in a dollar. But if someone asks you, “What is 75 times 2?” you might not immediately recognize that is the same thing as having six quarters.

Second, when you learn something new, it's not as if the old way of thinking goes away. For example, some children think of north as straight ahead. But, have you ever been following directions on your phone and made a wrong turn, only to catch yourself and think, “I know better than that!”?

The final reason that learning is tricky is that it is balanced by a different mental process: forgetting. Even when you learn something (e.g., your phone number), when you stop using it (e.g., when you move), it becomes extremely hard to remember.

There should always be an asterisk next to the word when we say we learned* something.

#mathmythbusted

Talking Points

You can further support your student's learning by making sure they eat right and get enough sleep. Healthy bodies make for healthy minds, and both diet and sleep have significant effects on learning.

Your student is learning about financial literacy, including options for post-secondary school. While this may seem far away, it is never too early to begin preparing for the future. Talk with your student about the importance of working hard in school and making wise financial decisions.

Key Terms

terms of an investment

The terms of an investment include the type of investment, amount of money invested, the interest rate, and the length of the investment.

deferment

A deferment is a period of time, usually up to two years, in which students delay paying their loan or the interest on their loan.

online calculator

An online calculator is an internet-based application that quickly performs calculations for the user.