

AOF Financial Planning

Lesson 4

Components of a Financial Plan

Student Resources

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Student Resource 4.1	Guide: Creating a Life Path Game
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Student Resource 4.1

Guide: Creating a Life Path Game Map

Step One: Set up the game board

- Draw a long, curving line that does not cross at any point.
- Put one yellow dot at the start and a second yellow dot at the end of the line and label them “Start” and “Finish.”
- Place five blue dots, representing decisions, along the game at evenly spaced intervals. Number them consecutively, 1–5.
- Place six red circles for Trouble! spots at evenly spaced intervals, along the line and alternating them with the Decision circles.
- Place six green circles, representing free spaces, randomly on the line.

Step Two: Choose the five decisions

- Review the 10 milestones you selected in Lesson 3 and choose 4 of them for the game.
- Phrase each milestone as a decision, like the example below.
- Fill out the chart below; list three options for each decision and the financial implication of each.

The Five Decisions	Three Options	Financial Implications
#1 Do you pursue higher education? If so, what kind of school do you go to?	No college	Cost \$0; Income \$25,000
	Attend community college	Cost \$5,000; Income \$40,000
	Finish a four-year university	Cost \$25,000; Income \$70,000
#2		
#3		
#4		

#5		

Step Three: Anticipate risks

- Choose five unexpected financial occurrences from the class list.
- Create one Trouble! card for each of these occurrences—explain what happened and deduct \$50,000 from your account.
- When you're done creating the cards, cut them out and shuffle them.

<p><i>Trouble! Sample Card</i></p> <p><i>A fire starts in the woods behind your house, causing \$50,000 damage to your property.</i></p>	<p><i>Trouble!</i></p>	<p><i>Trouble!</i></p>
<p><i>Trouble!</i></p>	<p><i>Trouble!</i></p>	<p><i>Trouble!</i></p>

Step Four: Create “I’m Covered!” cards

- Make up one insurance card for every Trouble! card to cover yourself. They should relate to the Trouble! cards, as in the example.
- Pay \$2,000 for each I’m Covered! card you choose to buy.
- When you're done creating the cards, cut them out and shuffle them.

<p><i>I'm Covered! Sample Card</i> Homeowners Insurance: \$2,000 Covers fire damage to your property</p>	<p><i>I'm Covered!</i></p>	<p><i>I'm Covered!</i></p>
<p><i>I'm Covered!</i></p>	<p><i>I'm Covered!</i></p>	<p><i>I'm Covered!</i></p>

Step Five: Play the game!

- Choose a game piece and place it at the Start dot.
- Write "\$10,000" at the top of a piece of paper. This is how much money you have to start the game. You will keep track of what you earn and what you spend along the way.
- Roll the die to begin. Move the number of spaces that you rolled on the die.
 - When you land on a decision point:
 - Refer to the decision number on this guide and make one of the three choices
 - Collect a paycheck (\$25,000, \$40,000, or \$70,000 every time) according to your choice for decision #1
 - Record your earnings and expenses
 - When you land on a free space, you may:
 - Purchase I'm Covered! cards
 - Do nothing
 - When you land on a Trouble! spot, draw a Trouble! card and face the consequences:
 - Use an I'm Covered! card if you have one
 - Pay out of pocket with your own money
 - Borrow money to pay and deduct 10% interest on the loan at the end of the game

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- Play until you reach the Finish dot, and be sure to tally your expenses along the way!

Before handing in your life path game, check to make sure it meets or exceeds the following assessment criteria:

- The game board is completed accurately and neatly according to the directions.
- The decisions are relevant, with realistic options and financial impacts.
- The Trouble! cards include plausible risks and financial impacts.
- The I'm Covered! cards include the insurance coverage and cost.
- The game is enhanced with relevant images.

Student Resource 4.2

Peer Feedback Sheet: Life Path Game

Student Name: _____ Date: _____

Directions: Circle the most appropriate feedback about the components of your partner's game. Use the feedback you receive about your game to improve it.

1. The visual appearance of the game: *excellent* *acceptable* *needs improvement*

Comments:

2. The feasibility of the directions and options: *excellent* *acceptable* *needs improvement*

Comments:

3. The plausibility of the Trouble! cards: *excellent* *acceptable* *needs improvement*

Comments:

4. The thoroughness of the I'm Covered! cards: *excellent* *acceptable* *needs improvement*

Comments:

5. The relevance of the images: *excellent* *acceptable* *needs improvement*

Comments:

Student Resource 4.3

Memo: Creating a Financial Planning Company

To: AOF Financial Planning Students

From: Stella Delminga-Ruiz, Director of Development, TeenBank USA

Re: Formation of a Financial Planning Division

TeenBank USA is pleased that its market research has shown that our customers, teens and their families, are interested in financial planning. We would like to be the first youth-oriented bank to offer this service, helping our clients plan for their financial futures and remain our customers well past their teen years.

We are looking to AOF students to pilot this service by forming financial planning companies that TeenBank USA can emulate. We would like you to think about how we can both educate our customers that financial planning is essential, even in the teen years, and determine which financial planning services best suit our customers' needs. Since you are teens, we would like you to develop financial plans based on your own financial goals. The first step will be to learn about the components of financial plans and then suggest ways to reach teens by creating a company identity that teens will relate to.

Once you have finished creating your company identities, we would like you to read about the different components of financial plans. We would like you to become the "eyes and ears" for our customers by recording how these components of financial plans could help you and what you would need to know more about.

We will use your research and ideas to help us create the most effective financial planning division of a teen bank. Thank you for your work. We look forward to learning from you about how we can help teens become interested in financial planning.

Student Resource 4.4

Worksheet: Components of a Financial Plan

Student Name: _____ Date: _____

Directions: Fill out this worksheet on your own. Then share your ideas with your partner.

Financial Plan Section	How can this help me to reach my life goals?	What more do I need to know about this to create my own plan?
<p>Budgeting</p> <p>A financial plan should always contain a budget. A budget shows how much money needs to be spent to provide for the client's needs, as well as to provide for some of his other wants. A line item in every budget should go toward savings or investments!</p>		
<p>Saving and Investing</p> <p>Saving and investing are a way to let your money work for you so that you can meet your financial goals and achieve financial independence. Saving is a good way to meet short-term financial goals. Investing in assets such as stocks, bonds, certificates of deposit, and mutual funds is a good way to reach longer-term goals, like saving for college or a new house. Many financial advisors suggest saving at least 10% of your gross income each month.</p>		

<p>Insurance</p> <p>Insurance is a way to protect yourself from risk and liability if you (or your family) become ill or disabled, or if your property is damaged or stolen. Insurance can also protect you from paying damages in a lawsuit. Almost anything can be insured! Types of insurance include homeowners, health, disability, automobile, life, and liability.</p>		
<p>Debt</p> <p>Almost all of us go into debt at some point, perhaps when we borrow money in emergencies or in working toward important goals. Auto loans and home mortgages are examples of debt used to purchase important items. While borrowing money can be helpful, it is important to have a plan to pay off your debt so you don't get into a cycle of spiraling interest.</p>		
<p>Tax Reduction</p> <p>Taxes are a fact of life. While it may seem painful to see a chunk of money taken out of each paycheck, those funds go to pay for all kinds of services. Our taxes pay for firefighters and teachers, and many other essential services. One part of a financial plan is to understand tax regulations and to arrange our financial affairs to make sure we are paying no more than our share.</p>		

<p>Retirement Planning</p> <p>At some point in our lives, though it may seem far away now, we will no longer be working. When we're retired is a great time to travel, spend time with family, and enjoy our hobbies. It is important to have sufficient income, through investments and other sources, to be able to meet our needs and wants.</p>		
<p>Estate Planning</p> <p>When we die, we pass on our belongings to our inheritors, and they may be subject to taxes applied to inheritance and/or gifts. An important goal in estate planning is to ensure that these taxes are as low as possible.</p>		