Choices Over Time

Weigh present needs, future goals, and investment risk before deciding.

12.E1b "Sound personal financial (money management) practices take into account wealth and income, the present and the future, and risk factors when setting goals and budgeting for anticipated saving and spending…"

NAME ______________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB Number the three decisions. Underline costs or risks and circle benefits in each.

Jordan's Three Decisions

1. In this fictional budget, Jordan receives $2,800 monthly after taxes and has $1,200 in checking. Required expenses, including student-loan payments, total $2,050. The first decision is whether to save $300 monthly for emergencies or spend it on concert trips. Saving sacrifices entertainment now but builds cash for repairs or interrupted income. Cash holdings are assets, income is a flow over time, and net worth equals assets minus debts. Jordan's checking balance alone does not reveal net worth.

2. The second decision concerns a $900 gaming computer. After required expenses and $300 savings, $450 remains monthly. Jordan would carry a credit-card balance to buy now, incurring interest under the card's terms and required payments. A card with an applicable grace period can avoid purchase interest when its conditions are met, but that is not Jordan's plan. The computer offers entertainment and software; waiting allows saving toward it without new debt. Jordan chooses to wait.

3. The third decision concerns retirement money after establishing a suitable emergency reserve. A conventional fixed-rate bank certificate of deposit offers a stated return if held to maturity. FDIC insurance applies within coverage rules; early withdrawal may incur a penalty, and inflation can erode purchasing power. A diversified stock index fund has higher long-term growth potential but no guaranteed return and can lose value. Jordan compares fees, time horizon, access needs, and tolerance for loss. Higher potential reward does not guarantee higher actual returns.

2 ANSWER WITH EVIDENCE

Use the passage

1. How much money does Jordan have left each month after required costs but before emergency savings?

2. What is one present cost and one future benefit of Jordan's emergency-fund choice?

3. Why would buying the computer now create interest costs and required payments for Jordan?

4. Which investment has greater long-term growth potential, and what risk comes with it?

3 YOUR TURN

Your own words

Mina's fictional monthly net income is $3,400; essentials cost $2,300, excluding card payments. Savings are $500; card debt is $1,000 at 22% APR, with a $50 minimum payment due. Plan emergency saving, debt payment, and retirement investing in three rows. Keep this month's allocations within $1,100; investing may be deferred. Include tradeoffs.

DECISION	CHOICE AND AMOUNT OR INVESTMENT	PRESENT TRADEOFF	FUTURE BENEFIT OR RISK

PART 1 · READ AND MARK

Number the three decisions. Underline costs or risks and circle benefits in each. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How much money does Jordan have left each month after required costs but before emergency savings?	**$750.**
2	What is one present cost and one future benefit of Jordan's emergency-fund choice?	**Present cost: Jordan has less money for fun or optional spending now. Future benefit: the fund can cover a car repair or job interruption and help avoid high-interest debt.**
3	Why would buying the computer now create interest costs and required payments for Jordan?	**Jordan plans to carry a credit-card balance, which incurs interest under the card's terms and requires payments.**
4	Which investment has greater long-term growth potential, and what risk comes with it?	**The diversified stock index fund has greater long-term growth potential. Its return is not guaranteed, and it can lose value.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

DECISION	CHOICE AND AMOUNT OR INVESTMENT	PRESENT TRADEOFF	FUTURE BENEFIT OR RISK
Emergency savings	Save $300 this month	Less optional spending	Adds a cash buffer
Card debt	Pay $800, meeting the required minimum	Uses the remaining $800	Reduces balance and future interest
Retirement	Defer this month; later compare a diversified stock fund	Delays investing	Potential growth with possible losses

Accept varied allocations totaling no more than $1,100 this month, with required debt payments addressed. Do not count future investing as current spending. Responses should weigh existing savings, debt, timing, access and risk; no investment outcome is guaranteed.