A Critically Compassionate Approach to Financial Literacy

Thomas A. Lucey, Mary Frances Agnello and James Duke Laney

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Thomas A. Lucey
Illinois State University, USA

Mary Frances Agnello
Akita International University, Japan

and

James Duke Laney
University of North Texas, USA

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TABLE OF CONTENTS

INTRODUCTION

This book concerns the teaching of financial literacy. It represents a resource for elementary and middle level teachers and for teacher candidates.

Much research documents the poor understandings of personal finance among children and youth (e.g., Lucey, 2002; Mandell, 2008b; 2008a; Mandell & Klein, 2009). Literature also questions whether assessment efforts properly interpret the financial literacy of those they purport to measure (Lucey, 2005; Schmeiser & Seligman, 2011). Studies also consider financial capability and its improvement through by various curricular and instructional processes (Johnson & Sherraden, 2007; Sherraden, Johnson, Gho, & Elliott, 2011). While conventional wisdom holds that educating children about tenets of wealth accumulation may change this situation, increasing financial literacy requires more than instruction about mathematical concepts and disciplined use of financial resources. Patterns of financial practice present manifestations of psychological and sociological expression. Thus, the goods and services purchased and sold provide indicators about individuals and groups' feelings about themselves and others. For example, an individual's decision whether to use a sum of money to purchase a piece of clothing versus providing fresh fruit for a homeless individual informs about his or her social values.

A principle of this text involves the belief that wealth accumulation for its own purpose represents a notion founded on psychologies that portend ultimately unfulfilling outcomes. The evidence for our claim lies within the existing consumerist environment. In this setting, individuals seek cosmetic and convenient paths to fulfillment. Naysayers or objectors become ostracized as malcontents that fail standards of loyalty to a community or country (Hedges, 2010). Financial literacy becomes an individual responsibility with individual consequences, in which those who lack money receive social judgment for their poor choices. Such an uncompassionate view of financial status is not unique to the USA because in other countries, similar attitudes of blaming the poor or those less fortunate may be common. In the ever dynamic capitalist system as it exists in the USA, few people are finding security, financial or otherwise.

This text offers a critically compassionate approach. The underlying philosophy relates to compassion for oneself (wherein one's sense of esteem originates from an inner trust founded on care) representing the only approach to personal fulfillment. This ideal holds that financial practice can only be fulfilling if it occurs in a manner consistent with self-compassion or personal self-worth. Such an ideal stands diametrically opposed to an approach premised on control of material resources because it bases financial decision-making on a compassionate sense of personal self-worth, rather than depending upon accumulation of goods and services. This notion of stewardship discourages a system based on control and prompts a broader social vision that is predisposed toward compassion and invites decisions that foster communities based on care. These associations involve foundations of trust based on principles of compassion, honesty and integrity. This perspective represents an alternative to a system that founds financial literacy upon participation in a system of human objectification and exploitation. This system equates self-worth with the ability to control material objects, including other people. In other words, conventional financial literacy supports a system that defines the socially marginalized in terms of their economic worth to the financial elite, rather than in terms of the life conditions and stories that they experience. Global financial literacy efforts extend these practices to children of impoverished countries by developing their sense of personal worth through creation of their own businesses and establishment of their own bank deposit accounts.

This text offers a critically compassionate approach to financial literacy founded on the following ideals: (1) Having compassion for oneself involves a sense of inner – psychological - peace or calm that relates to a sense of security, trust and respect for oneself such that one treats oneself well and resists temptations that harm; (2) Such a sense of security becomes reinforced in a community with others who experience this sense of inner compassion and in which one shares compassion for others; and (3) This inner sense of trust occurs independently from material accumulations.

The text accomplishes this process by (1) describing technical aspects of financial literacy as they fit into a setting of compassion and providing content knowledge that pertains to related topics; (2) contextualizing such understandings of financial literacy within a broader social setting; (3) inviting different ways of perceiving financial relationships; (4) illuminating the affective components of financial decision-making; (5) developing compassion for those with controlling dispositions; and (6) stimulating feelings of kindness for those who experience various forms of financial challenge.

Patterns and availability of emotional and material resources may guide individual choices. For example, the financial development of a person who is medically challenged may relate to the family to which she/he belongs. A person who has medical problems and develops in an affluent, encouraging family has a stronger possibility of realizing financial accomplishment than does a person who has the same medical challenges and living with an encouraging family that lives in poverty. Yet, the psychological environments in these settings also influence outcomes. A setting that involves teasing and ridicule prompts different emotional underpinnings to decision-making than one of patience and kindness.

Providing equitable financial literacy education processes for all democratic citizens acknowledges that: (a) individuals do not choose the contexts in which they enter this world; (b) individual accomplishment represents a matter of environment as well as personal choice; (c) socioeconomic class relates to the establishment of institutional structures and procedures that maintain a concentration of wealth. Thus, financial literacy relates to socio-emotional perceptions that guide financial practice and how they undergird the emotional fabric that shapes early 21st century global society. One's affective foundations guide the rationales of his or her money choices informed by how one thinks about one's state of finances and money as sources of possibilities in life.

Psychological research recognizes mental processing as being both rational and emotional, rather than involving two separate domains (e.g., LeDoux, 2002; Panksepp & Biven, 2012). Conventional forms and interpretations of financial literacy, which are founded on conceptions of merit based on individual choice, find their roots in emotions of anger and control. Control (or ownership) of goods and services relates to a coercive/behaviorist process of rewards and consequences that fit the thinking of those in economic or political power.

A compassionate view of financial literacy recognizes the importance of acknowledging how social structures reinforce patterns of classism and inequity. One may claim that such structures derive from intentions to provide civility, calm, and order in a potentially chaotic world, yet a vision that stands counter to these structures provides for a system of intolerance that emphasizes compliance with technicalities of legal positions designed to maintain a social order that maintains power structures of the elite and privileged. It would be difficult to argue that compassion founds such conditions. Consider a January 5, 2013, editorial opinion in the *New York Times*, which disclosed rampant disregard for the United States Supreme Court's 1963 Brady decision, which requires prosecutors to provide evidence to defense attorneys that may show their clients to be innocent (*New York Times,* January 5, 2013). Although society provides laws to protect the less fortunate, competition, greed, and inconvenience prevent their application and enforcement. A view of financial literacy that focuses on wealth accumulation and control underlies this challenge. Oftentimes, legal proceedings represent contrived experiences of professional competitors rather than open discussion and equitable resolutions. Court systems represent stages for civilized battles for rhetoric and strategy among judges and lawyers, rather than realizing legitimate outcomes based on the needs of parties to the hearing.

Another example may be observed in the corporate world of fast-food. Contemplate the huge income gap between corporate executives and hourly wage employees at neighborhood fast-food outlets. Reflect upon the backgrounds of the people who occupy these positions and ponder the emotional influences of their families and how these social influences relate to the patterns of networking and education that they experienced (Bosshardt & Walstad, 2014). For what aspects of their histories do they, as individual choice-makers, take credit? To what aspects of their experiences do they attribute other factors? United States society experiences a low rate of upward social mobility, along with patterns of increasing residential and educational segregation between rich and poor (Chetty, Hendren, Kline, & Saez, 2013). When society does not make available the resources and opportunity for social inquiry and dialogue available, it allows for the creation and dissemination of myths that preserve structures of power. Compassionate education about personal finance requires that learners contemplate the social contexts that shape their patterns of decision-making and their responsibility for making choices that show care for others.

One final illustration relates to the patterns of racism exercised by police departments in many United States communities and the anti-immigration policies against people of Latin American origin. Literature documents well the economic motives associated with a history of racist policies and practices with regard to education, law, personal finance, and other social institutions in the United States (e.g., Alexander, 2010; Anderson, 1988; Conley, 2001; Loewen, 2007; Zinn, 2003). The U.S. Government granted wide police latitude as a result of security intensification after the 9-11 attacks on the United States. This expansion of law enforcement also represents a broadening of economically-justified racism that has fostered an environment of racial profiling and incarceration that infringes upon civil and human rights.

The orientation of chapters in this text relates to the six areas of financial literacy (i.e. Financial Responsibility and Decision Making, Income, Insurance, Money Management, Spending and Credit, Saving and Investments), as delineated in the National Financial Literacy Standards (Jumpstart Coalition, 2007).[1] Coverage of income and careers spans two chapters to provide each area the reader focus that it deserves. Admittedly there are other organizations that provide standards that concern financial literacy and that commonalities exist among them. Because the premises of this critically, compassionate approach to financial literacy provide for (1) psychological foundations that are consistent with current research, (2) broader notions of financial interactions, and (3) financial choices that express social values, compassionate amendments to the premises and goals of these strands are presented below in Table 1.

Table 1. Critically compassionate views of financial literacy

Standard	*Premise and Goal*	*Critically Compassionate View*
Financial Responsibility and Decision Making	People are rational beings. Their goal is to apply reliable information and systematic decision making to personal financial decisions.	People are beings whose rationales are governed by underlying emotions. Their goal is to apply accurate information to make caring and compassionate financial decisions.
Income and Careers	People have the ability to be loyal. Loyalty to an employer or type of profession will result in a financial fulfillment. The goal is to use a career plan to develop personal income potential.	People have the ability to be loyal or disloyal as determined by how they are treated. The goal is to maintain a sense of personal self-worth by earning income in a manner of social integrity

Table 1. (Continued)

Standard	*Premise and Goal*	*Critically Compassionate View*
Risk Management and Insurance	Dealing with other people involves various forms of financial risk. People can use appropriate and cost-effective risk management strategies to manage various forms of financial risk.	The first step towards managing risk is by exercising a safe lifestyle. People can experience safe lifestyles to reduce their exposure to various forms of financial risk.
Planning and Money Management	People have a certain amount of income to manage to realize financial fulfillment. The goal is to organize personal finances and use a budget to manage cash flow.	Emotions affect one's financial experiences and money management decisions. Emotional patterns and a sense of personal self-worth affect one's financial experiences and money management decisions. The goal is to examine the social integrity of one's financial sources and to respect one's community.
Credit and Debt	People who need money may borrow and repay from people or institutions that have more money than needed. The borrower's goal is to maintain creditworthiness, borrow at favorable terms, and manage debt.	People who need money may borrow and repay from people who have more money than needed. The borrower's goal is to resist unnecessary credit and avoid being subject to others' financial control.
Saving and Investing	People put money aside for future use. The tools used for saving or investment have various risks and returns.	The amount of money that people have available to save depends on the wealth that people inherit, the income that they earn, and their self- discipline to save. Savings and investing tools have various financial and social risks and rewards.
Culturally Responsive Matters	None	People have different patterns of financial needs as guided by combinations of gender, race/ethnicity, religion, and other beliefs or traits. The culturally responsive goal is to have compassion for all people and the stories that they are.

This text contains eight chapters. The first chapter provides an overview of financial literacy, manners of its conception, and illustrations of its competitive and compassionate applications. Chapters two through seven consider the areas identified within the national financial literacy standards. With two exceptions, each of these six chapters explores its respective topic by addressing the respective standards with a critically compassionate outlook. The strand that relates to income and careers has been organized in two chapters (Chapters 2 and 3). Chapter eight offers a broader discussion of critically compassionate approaches to financial literacy and employs several case studies to centerpiece the challenges associated with its application.

The end content of each chapter includes classroom activities for use in grades K-8. These activities involve several themes (1) development of an awareness of social and societal relationships to personal finance; (2) development of practical skills that relate to one's financial skills; and (3) development of compassion for those with whom one interacts with financially, and who may be impacted by one's financial decisions.

Finally, we address the possible claim that this book may represent an effort of advocacy, rather than of financial education. It is acknowledged that the information contained in this text provides for a perspective of financial literacy that counters conventional reasoning. As such, some may characterize it as "anti-economics" (Morton, 2005).

This response begins with consideration of the purpose of conventional financial education approaches. The United States Consumer Financial Protection Bureau (USCFPB) (2015) interprets the goal of financial education as relating to four concepts: control, capacity, monitoring, and freedom. Consider these areas and their nature: control and monitoring represent principles of management and limit setting. To control one's resources means to manipulate them in a way that benefits him or her. Capacity relates to potential of managing social processes based on control of economics, goods, and services. Freedom concerns the ability to access social resources based on the extent to which one controls economic resources without social restriction.

In essence, conventional approaches to financial education rely upon a rationality guided by possession of material resources. In this line of thinking, happiness relates to the acquisition of more resources, which includes other people.

We respond that the basis for patterns of rationality and justification relate to the motives that found their development. In other words, the patterns of reasoning within a theoretical argument relate to the context and motives of the persons who create them. At the core of these processes lie the psycho-emotional structures that forge their meanings. Ledoux's (2002) pioneering work recognized that emotions undergird the cognitive processes. We offer the notion that other affects, such as peace and compassion, may also guide thinking about personal finance. Alternative approaches to controlling money may invite pro-social behaviors that involve principles founded on human values, rather than accumulation and profit.

Recent studies by Lucey and Bates (2010; 2014) which find support for financial education processes that relate to tenets of moral education, provide credibility to the emerging notion of compassionate approaches. We invite the reader to let go of his or her sense of control as he or she begins the journey through this text.

Second, we argue that scholarship supports the framework described in this text. Studies find children who learn in environments that advocate for control of material resources do not necessarily develop a strong sense of self security (Narvaez & Gleason, 2013), that educators agree with moral principles in financial education (Lucey, Giannangelo, Hawkins, Heath, & Grant, 2007), and that such principles may be taught (Lucey, in press). A critically compassionate approach to financial literacy rests upon principles of care.

While we recognize the perspective that this text may represent a work of advocacy, we would suggest that, in a sense, research in the social sciences inherently involves some element of advocacy. Scholarship represents a sharing of ideas to clarify and refine such notions. This work presents a counter-account of financial literacy than directing items for one's own vision. The problem with this approach lies within the focus on oneself, rather than a holistic social vision of capacity and freedom to interpret the volume of resources in one's control and how these amounts shape one's social autonomy. The difficulty with this approach relates to the need for resources to guide one's freedom. A conventional approach to financial education advocates for self-promotion and objectification. A critically compassionate approach represents one of humility that respects another for the person that he or she is, not what others would have him or her be.

NOTE

[1] The Jump$tart Coalition released the 4th edition of the standards in early November of 2014. This new edition includes standards for kindergarten-preschool classrooms.

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CHAPTER 1

THE NATURE OF FINANCIAL LITERACY

INTRODUCTION

One may interpret financial literacy as the ability to understand and apply the processes and tools associated with personal finances. It may be construed in one of two manners, thin and thick. From a thin (conventional) perspective, one interprets financial literacy as how one acquires, manages, and accumulates money for personal use. Understood in this vein, financial literacy involves a focus on money as a tool for accomplishing one's own life goals.

Consider the spending of money to see a movie and purchase a food and drink. From a thin point of view, being financially literate requires an understanding of the choices made in an effort to acquire money to afford the service and products purchased and the decision whether to spend the money or consider alternatives for its use. The focus of a thin view of financial literacy relates to the dollars and cents outcomes of the decisions made.

A thick view of financial literacy recognizes that one's financial choices and decisions occur within a social system and affect the lives of other participants in that system. People make financial choices that affect the lives of themselves and others. These decisions result from the degree of care or control that one experiences towards society.

The concept of wellness involves the extent to which care and compassion provide the bases for social relationships. The use of goods and services involves social risks and rewards. A consumer should consider the bias that underlies the information provided about purchased products. While conventional financial literacy emphasizes the financial aspect of decision-making, a critically compassionate approach considers the near and distant social consequences of their decisions.

This text concerns financial literacy in a thick, or compassionate, sense. It recognizes that the use of money represents an expression of a person's social views and beliefs. In other words, how one acquires, manages, or spends his or her money represents a statement about his or her views of people and his or her relationships to them.

In the movie theatre transaction example above, a thick sense of being financially literate ponders whether it is appropriate that one's money should support the efforts of the producer of the movie and the social messages that it conveys. Consider a company that manufactures a food product sold at a movie theatre. What ingredients does it put in its product? How well does it respect its community? How does it treat the environment? How does it treat its employees? What about the producer of the drink sold at the movie theatre? Do you feel safe purchasing a beverage from this company knowing that it may portend long-term adverse health consequences for you? Think beyond the movie theatre example. How do you feel about buying a product from a manufacturer who may be using tap water from your community to sell as bottled water at your grocery store?

When one thinks of financial literacy, he or she may understand it as a thin or thick idea. In a thin sense, financial literacy is about acquiring, managing, and accumulating money. Taken as a thick concept, financial literacy represents a social notion that considers the motivations for and consequences of one's financial decisions for oneself and for others with whom he or she has financial encounters. To make a decision, caring consumers compare the social benefits and costs of spending alternatives. A key to financial wellness involves the extent to which care and compassion provide the bases for social relationships.

DISCUSSION POINT

Think of the last time you spent money. Describe your spending in a thin sense. Then express your spending in a thick sense.

CONCEPTIONS OF WORTH

The preceding section introduced the concept of financial literacy as something to be viewed in a thin or thick sense. Yet financial literacy represents more than a thick or thin awareness of money. It also involves an understanding of how our feelings affect our views of other people and of our use of money.

Begin with a simple question. "Who are you?" This oft asked question yields simple answers; however, when considered more deeply, it involves more complexity than originally observed. The concept of one's identity represents more than an accounting of one's experiences from birth; it represents an interpretation of that life as it intersects with the lives of others and the patterns that emerge from those relationships.

For example, one's birth represents the result of an encounter between two individuals. Not only does one inherit his or her birth parents' physical traits (e.g., hair, eyes, etc.), he or she inherits their psychological traits as well. He or she represents a continuance of their stories and, if raised through their care, decides whether to accept, reject, or modify their views and ideologies. A person not only has a distinct beginning, which is his or her birthdate or point of conception. He or she is part of a family story.

What is one worth? This question may conjure images of comparisons or trades. If you are worth a million dollars, then the thinking is that one million dollars would be a fair exchange for you. While at first, being worth a million dollars sounds nice, it would be difficult to think that someone could trade you for money. If someone paid your parents a million dollars for the right to purchase you for their use, how would you feel about that transaction? You are not receiving the sum of money, simply being exchanged for it. It is very sad. You want to be valued, period.

Human trafficking may sound like an unusual example, yet it does occur in many places, including the United States. This process may be initiated when parents sell their children to people who have money. Children often become laborers in hazardous jobs and conditions.

You want to be valued for who you are. No sum of money can capture the personal worth that you have for yourself. How does it feel to read that? Put another way: "You cannot be bought!" You have compassion for yourself, such that no sum of money can change how you think and how you act. Your self-compassion empowers you to live with a caring sense of self-worth that empowers you to care for others.

Deciding what one is worth represents a difficult question to answer, and people will respond differently depending on their social values and backgrounds. People value each other for different reasons; family and friendship represent two of these. People appreciate each other's qualities and respect each other for their shared experiences. They like each other for who they are. They share their social worlds. In other words, they represent meaningful parts of each other's lives.

When it comes to conversations about money, worth has a different meaning. Worth consists of the total amount of things that one owns or controls. This is called total worth. If one were to receive cash in exchange for all of the items, or assets, that he or she owned, that cash would be considered his or her total worth. One's total financial worth consists of the total amount that he or she possesses.

An example of total financial worth would be appropriate to consider here. Say that Sam owns the following items: cash and coins that total $6, a savings account that contains $250, a MP3 player worth $150, and a cell phone worth $75. Sam has a total worth of $481. We determined the amount by adding together the values of all Sam's assets.

When one receives money or a good, he or she increases his or her financial worth. Increasing total worth occurs by acquiring an asset of some permanence and caring for it in a way that maintains its value. For example, one may put it into an account for later. Decreasing the worth occurs when one gives away or spends money for short-term goods or services.

Financial worth represents a different concept from someone's worth as a person. One's financial worth represents the amount of money and assets for which he or she is responsible. Personal self-worth relates to the compassion for oneself and the patterns of decisions and judgments that one makes. It is important to remember that one had no choice in determining his or her financial worth and personal self-worth at the time of birth or conception.

QUESTIONS FOR REFLECTION

What is your financial worth? How do you know?
What is your personal self-worth? How do you know?

CHAPTER 1

THE REASONS FOR OUR FEELINGS

"How are you feeling?" This question represents a courtesy when greeting someone. The reply to this question tells us about him or her, and our response tells about our general disposition and our sensitivity (and possible empathy) with the addressee's physical or emotional status.

Consider your feelings and the reasons for them. Why are you happy? Are you happy because you learned that you are taking a family trip, because a family member has a new job, or because your team won the big game? Would you be happy if these things had not occurred?

Feelings based on the reasons mentioned in the above question come from extrinsic sources. The feelings represent responses to things that are outside of you: from things that were purchased or the prospect of receiving additional money to buy things. The feelings that come from these sources are temporary. They do not last. Essentially, the feelings from purchases fade, and you need to obtain more of the same thing to achieve the same emotional effect. This is known as the principle of decreasing marginal utility: the more of something that one acquires, the more it takes to realize the outcome one had during the initial experience.

Think about eating any kind of snack food, for example, an apple, a carrot, or potato-chips. Your experience of the first bite or chip is wonderful! You want another! You experience a bit less pleasure with the second, yet it is still very satisfying. The more you consume, the less satisfying the food, until you tire of the stuff altogether.

The same principle applies to external influences on your feelings: the more of the agent that you acquire to make you happy, the less it makes you happy. If you need things sourced in money to obtain your happiness, you become trapped pursuing more and more money to attain additional amounts of satisfaction. Your happiness depends on the money. If you reply on a person or thing for happiness, it is very possible that at some point, the basis for happiness will diminish or disappear. Your dependency on that object prompts that object to control your actions. In other words, your behaviors depend on acquiring that object or pleasing that person.

Reconsider your happiness. What if the reason for your happiness is nothing in particular? You are just happy with being you. You are emotionally safe and secure in your family, have positive and encouraging feelings about yourself, and enjoy being who you are. These are all intrinsic forms of happiness. You have a good feeling inside yourself that is independent on something others have done. Certainly, this security results from being in a nurturing and trusting environment that builds your confidence in yourself. Thus, feeling relates to experience within a safe and predictable environment that caused you to feel emotionally secure (Narvaez & Gleason, 2013). A first step in reaching fulfillment is to have a compassionate view of oneself. A compassionate view for oneself adapts a caring attitude towards goods, services, or people in their own right.

The previous paragraph may seem to be confusing and contradictory. If positive feelings come from within, what makes the environment relevant? Consider the answer in terms of psychological trauma. You can experience inner wellness (calm) from at least three different sources (1) others' treatment of you, (2) your patterns of personal care, and (3) your emotional processing of information. Here are brief descriptions of each of these. Bear in mind that the three sources relate to each other, as shall be explained later.

First, inner wellness relates to how others treat you. Make a list of ten people that you know and consider your experiences with them. In one category place those who speak calmly and directly to you and say nice things, yet can also mention items to help you to improve yourself without hurting your sense of pride. They also accept responsibility if they accidently hurt you and express concern for you in these situations. These people are generally good for your inner wellness because they provide you with a sense of inner security. You know they can be trusted to treat you well because they exhibit a calm presence. They do not make fun of or judge others. Because of this pattern, you realize that they are not likely to mock or judge you in your absence.

In the other category place those who say nice things that they may not mean. They tend to blame others for their misfortunes. They tend to gossip about people and are likely to do the same about you if you're not around. They may express much sarcasm. They may also tease you and laugh about it afterward, and get angry with you or with those who do not agree with their ideas or do not wish to pursue an activity that they choose.

In general, people whom you categorized as the first type tend to reinforce your sense of inner wellness because they affirm the positive sense of who you are. They accept the weaknesses in your character as part of you yet do not exploit them or use them for personal advantage. In reviewing your list, you discover more people in the latter category, it is okay. Developing a sense of inner calm relates to the character of those with whom you associate, not to the number of people with whom you associate.

Second, inner wellness relates to your patterns of personal care. Make a list of items that you may purchase during a typical trip to the grocery store. Now, evaluate those items in terms of the processing that they've experienced. For example, what items consist of those already assembled and packaged ready for you to open (warm) and serve? What items may alter your behavior if you drink too much in a short time? The ingestion of foods that contain a lot of fats, sugars and preservatives offers potential for long-term traumatic health challenges that relate to the arteries, heart, pancreas and other parts of the body. Drinking certain amounts of alcohol dehydrates the body and reduces one's impulsivity causing a certain amount of brain trauma and potentially prompting behavior that may traumatize others. Developing a sense of inner calm relates to the integrity of the foods that you consume. Resisting the sensational claims made about foods that put zing in your morning or zest in your dinner affords you with opportunities to develop appreciation for nutritious wholesome food that provide an inner sense of calm.

We just referred to alcohol as a product that causes elements of psychological trauma. It would be remiss to not mention that other substances and activities that also foster psychological trauma and should be avoided. Certainly the use of illegal recreational drugs creates for a physical and psychological dependency that relates to brain functioning. In addition, excessive use of technology, such as cell phones and computers associates with aspects of psychological trauma. To take a critical view of whether or how you use these items and seriously ask yourself how difficult it would be to go without them for a prolonged period of time (e.g., a month).

The final source of inner wellness relates to emotional processing of information. Another way of describing this would be your general disposition. Each emotion that you experience (e.g., fear, humor, anger, happiness, sadness) has a purpose in enabling you to deal with your surroundings (Panksepp & Biven, 2012). When you suppress one or more emotions, the process causes an imbalance in your affective processing that prompts a self-induced form of psychological trauma. Often times, this occurs with someone who has been teased and bullied and learns to keep the sadness inside so that perpetrator does not see the hurt that he or she has experienced. This situation develops in victims of households that experience verbal, physical, and sexual abuse. Victims become bullies and bullies are victims (Harel-Fisch et al., 2011; Unnever, 2005; Zimmer-Gembeck, Pronk, Goodwin, & Mastro, 2013).

If you grew up in these environments, consider seeking professional help from student counseling services at your college or university. If your academic institution does not offer such services or if you have expended the opportunities offered, consider seeking a student support group or find a trusted faculty sponsor to assist to development of one. There are many people who have gone through something like you have and are looking for a safe place to talk. It is also possible that the external environment in which you were raised causes you to be emotionally insecure. You need things, such as clothes, to make you feel good about who you are. It could be that you look in the mirror and feel badly about whom you see. If this is the case, consider talking about the situation to a professional or an adult that you trust. If you are hungry, you need food. You can also consult with a counselor at your school to share your needs.

When people do not experience safe environments feel sadness, they may compensate with anger as a mechanism for keeping focus. This overuse of anger contributes to controlling tendencies expressed through communications rooted in sarcasm, ridicule, judgment, and irresponsibility. Passive aggressive behavior represents an indicator that someone may experience difficulties with anger management. Inner peace represents a psychological state founded on trust and care. It recognizes the value in persons who reinforce this sense of security and the importance of resisting individuals and groups who feel the need to control others and exploit them for personal or collective gain.

By now, you may recognize that these three causes interrelate. Achieving a sense of inner wellness requires that you trust yourself to make lifestyle choices that reinforce your goal. These choices may not be easy at first. You may find people mocking you for changing your routine to be with others. You may experience cravings for foods or technology tools that you used to relish. You may find yourself stepping out of a situation to privately process your anger. All of these experiences indicate that you are experiencing success building your resistance to the traumatic influences that threaten you pursuit of inner calm. In the long run your efforts will pay off. With time, the process becomes habit and routine.

What we are trying to communicate here is that by building and reinforcing a sense of compassion within yourself, you have power to resist people, products, and conditions that threaten your sense of personal self-worth. Your developmental setting provided you with tools to help that process, even if you may not recognize them at this time.

We would like you to consider the reasons we feel certain ways about money. It is important to understand our attitudes towards money and how we developed those attitudes. If we have intrinsic causes for feeling good, we don't need to buy goods or services to make us feel like better people in the eyes of others. If we have extrinsic causes for feeling good, we need to acquire goods or services to feel good. One can buy, own, and/or control all the goods or services in world, but they cannot bring fulfillment because of their diminishing marginal value. Buying more does not make one happier in a lasting sense; it simply makes one want to buy more.

At the same time, a person needs to buy basic things that are essential to living: food, water, shelter, transportation, and communication. Once these items have been realized, acquiring things that enhance one's lifestyle should be carefully considered. It may be that your friends or acquaintances own or control more of these items, and they appear to feel happier because of their ownership of these things. Before making a purchase, think about whether you really need these items to increase your own happiness. Consider the basis for your belief. Would your happiness be the result of an external or internal source? Would it be for short-term pleasure or long-term fulfillment?

THE NATURE OF OUR EMOTIONS

Anthropological research (e.g., Panksepp & Biven, 2012) informs us that as humans evolved, so did the structures of their brains. In the early stages of humankind's development, human behavior was largely animalistic. This represented a form of psychological protection that prevented others from taking advantage. Anger represented an emotional tool that enabled one to "protect one's own turf" or one's space. At the same time, elements of compassion also provided affective roots for cognitive processes. Trust was necessary to build community within one's group; however, the basis for that trust related to the degree to which compassion or control guided psychological processes.

Emotions serve to guide relationships with others. Both compassion and anger represent necessary emotions that shape interpretations of daily experiences. Compassion towards ourselves and others realizes a sense of inner calm based on self-security with who we are and the acceptance of others who feel self-secure (Armstrong, 2011; Noddings, 2008). It exudes sadness for those who experience anger and the conditions that prompted that anger to occur. It recognizes that anger represents a tool to protect from attacks and helps to focus on defense. At the same time, it realizes that anger should represent a temporary process for protecting oneself from hurt and making sense of the cause of the hurt. Retaining anger harms oneself and can harm others.

When uncontrolled, anger may present a form of aggression used to harm others. It can occur in direct or obvious forms, such as hitting, teasing, or criticizing another person. It may also occur in more subtle, passive, or manipulative forms, such as lying, disclosing partial truths, or concealing information. Passive aggressive behavior is a troubling form of anger because it both causes hurt to the victim *and* causes harm to the person performing the act because it does not involve his or her processing of the anger. As a result, the traumatized individual continues to feel the anger.

Anger represents an inherent part of the human psyche. Regardless of the social context, people may exercise various degrees of anger and control or calm and compassion. In a broad view, portrayals of national histories that convey messages of social advancement illustrate the control of social messages to preserve the image of the elite (Loewen, 2007). While popular histories may convey a sense of social progress and social development, the reality is that every society includes groups of people who have developed different degrees of compassion and control.

So, for example, Howard Zinn's (2003) classic account of United States history documents how, beginning with Columbus, 15th century European invaders of the North American continent traumatized, abused, and killed the compassionate indigenous people to access and exploit natural resources of the territory for the material wealth of the European elite. Similarly, Achebe's (1994) work, *Things Fall Apart,* describes the trickery and deceit in the European exploitation of natural resources in their desecration of culture of the Bantu speaking people. More recently, Dunbar-Ortiz (2014) presents the history of the United States from the indigenous perspective.

There are several examples of how over the last half-millennium we have witnessed the expansion of the European society and its abuse and disregard for the less technologically developed cultures it has encountered whether it be in Malaysia, China, or Mexico. This lack of respect for the economically disadvantaged and unprotected represents a pattern among various human cultures. For example, Diamond (1999) provides an account of the nineteen century Maori annihilation of the island Moriori culture.

The theme among these cultural conflicts relates to the availability of resources among societies and their obsession with material resources developed with patterns of social dominance. Research of pre-colonial African societies finds an evolving basis for land ownership, with family assumption of land through inheritance developing as societies became more economically focused (Lucey, Kruger, & Hawkins, 2008).

As trading centers, where people competed and exchanged goods and services, grew in size and influence, focused control of material resources became more prevalent. These environments provided for intense interactions that involved patterns of judgment relating to access to resources. For some, leisure time increased, as people were less preoccupied with competition for resources. These households controlled more than sufficient resources to satisfy their basic needs. Children were raised deliberately because a stronger element of material security existed.

Others lived in conditions of squalor and filth and receiving pittances in compensation for whatever employment tasks they performed. These socially marginalized represented victims of exploitation, blamed for their living conditions.

The languages employed in the respective economic cultures tell much about their social statuses and perspectives of their relationships. Terminology such as opportunity, freedom, and rights, represented centerpieces of upper class conversation and philosophical thought while members of lower class populations considered life in terms of oppression, slavery, and privileges.

Compared with early 21st century contexts, past differences between rich and poor in early societies may not have seemed great, yet to those living in such communities, the magnitude of the disparity mattered little. Being trapped within a life of poverty was one of despair, regardless of the riches controlled by the community elite. Nevertheless, as the elite became more materially distant from those in need, they became less compassionate for the poor. Within trading-centers, competition intensified. People employed anger as a psychological tool to intimidate and control other people. They employed it to protect their interests in negotiated transactions because it could be used to control such discussions. Philosophers in these trading centers generated various ethical theories to guide patterns of behavior. For example, Aristotle advocated a pattern of behavior which emphasized a manner of living within one's emotional means (Aristotle, 2004). Epicurus, on the other hand, argued that a good life was one experienced with pleasure (Erler & Schofield, 2005). All of these theories viewed the self as central to behavior. As long as each individual was consistently moderate in his or her behavior and happy, society would be stable. Other persons were viewed as objects within the context of one's behavioral choices. Life in these environments involved a daily routine, and people focused on small units of time.

Yet farming was a less intensely competitive process than city trade. It required patience. Anger towards a dishonest laborer, an uncooperative family member, or an untrusted neighbor could not change the weather or the crop prices. It might affect crops if any single or combination of sabotage strategies were used against them. Cooperation in the household was a necessary part of farming success, tenets and survival, according to Xenophon in Oeconomicus (Pomeroy, 1994). Farming required a long-term, broad view of operations and a thorough awareness of one's partners.

The clash between rural and urban philosophies founded the teachings of Jesus of Nazareth, who came from a Jewish tradition which had experienced a history of cycles between social oppression and social domination (Hoppe, 2004). Jesus argued for the relinquishment of financial obligations that prompted economic disparities and advocated an antiestablishment philosophy of compassion that challenged the Roman system of control and judgment (Crossan, 1994; 2012).

Admittedly the above social history account is not comprehensive. It contains a bias in its emphasis on ancient civilizations from a limited geographic context. Yet patterns of social relationships within pre-colonial African societies would suggest that economic and financial patterns of thinking are representative of the human psyche and tendencies for compassion and control (Lucey, Kruger, & Hawkins, 2008).

This pattern of societal wrestling with dispositions that relate to control and compassion represents a human condition that persisted with time and continues today. The existing 21st century emotional climate is highly influenced by economic factors and represents one of corporate dominance which stresses community founded on self-promotion. Agricultural processes and their coverage in social studies textbooks, with strategies and tools associated with profit and mechanization receive favorable description; whereas, the family farm is no longer considered important (Bahls, 1997; Howley, Howley, & Eppley, 2013).

ACTIVITY

Make a list of five conflicts that you recall from your previous studies of history. Briefly make some notes about the extent to which control and compassion defined the essence of those conflicts. Organize into groups. Taking turns, select one conflict from your list. Share your conflict and interpretation. Then listen – without interrupting- to your group mates' interpretation. Then proceed to the next person's conflict. After everyone has shared their topics and views, ask yourself the following questions. How difficult was it to listen to the ideas of others without interrupting? What were the natures of any interruptions that you made?

EMOTIONS AND WORTH

Emotions affect attitudes towards personal finance. Consider the times that you have been angry. If you are like many people, you have not been receptive to the feelings of others during those times. On the other hand, the times that you feel joyful, you may be open and receptive to the dispositions of others. This difference occurs because anger represents a defense mechanism for your brain. It is designed to protect you from potential hurt or harm that others may cause you. On the other hand, if not managed properly, anger can be used to speak or act in ways that hurt other people.

A focus on control and anger prompts one to seek external goods and services to increase positive feelings about him or hers. These items become tools for the person's fulfillment.

You may argue that you buy things all the time and have a positive attitude. You don't feel any anger when your favorite sports team wins or when you receive the latest piece of "in" clothing. You are happy when you're eating at the posh restaurant. Ask yourself the following question: What happens if your team loses, if your clothing comes from a less popular source, or if you eat at home. Are you still happy?

To make a financial decision, caring consumers compare the social benefits and costs of spending alternatives. For example, is it worth the money you spend on that clothing item, knowing that the company that manufactured the item abuses human laborers in another part of the world? Information about goods and services comes from many sources whose primary interest lies in selling their product. Every spending decision has social opportunity.

When one's happiness depends on things outside of him or her, those objects control the individual. So for example, your favorite sports team controls your happiness, a brand of clothing controls your appearance, the restaurant controls your diet. Absent these items, your find life miserable or "you need to get a life." Think carefully about this statement. It literally means that to live, you need to buy things to get the appreciation of others. People value you for what you buy, not for who the story of who you are. Getting a life means getting into the popular culture of things other people value.

Nelson Mandela lost his social freedom because he spoke out against the oppression of the South African government. Mandela responded by stating that they could take away all of the things that defined his life; however, they could not take away who he was. Mandela was happy because he didn't need particular clothing, food, or shelter. He did not need to control others. He was secure in his principles. He retained his inner freedom.

One may argue that Mandela spoke out in an effort to control society. This perspective has some legitimacy. Much anger about the patterns of White oppression in the Black South African population existed, and still exists today (cf., Wellenreiter, 2012). At the same time, remember that both anger and compassion represent necessary emotions. Mandela experienced compassion for himself and those who oppressed him. He managed his anger within himself and processed meaning from the situation.

When one focuses exclusively on compassion, without setting boundaries or limits on treatment by others, he or she becomes vulnerable to hurt or harm. When one focuses exclusively on anger, without being genuinely compassionate, he or she experiences psychological trauma that harms both him or her and others.

The objective of a critical compassionate approach to one's finances involves the realization of compassion's role in managing anger. He or she does not depend on external goods or services to define his or her sense of personal self-worth. One does not need to control a lot of different things have a healthy sense of personal self-worth. A compassionate sense of self is very important in a consumerist society that defines people by what they own and control. Compassion is necessary to help others feel good about themselves, without depending on material items for that positive affect.

THE BIG PICTURE

Previous sections considered thick and thin visions of personal finance and the influences of emotions on financial decision-making. This section conveys an image to illustrate how personal finance works and to prepare you for the content of future chapters. As we describe this image and discussion, consider your emotions and how they may relate to your financial decisions. We will return to emotions as part of our discussions in future chapters.

Imagine a large sink with a certain amount of water in it. That water represents financial worth. It is the total amount of assets that one controls. The water that comes out of the faucet represents income that contributes to financial worth. Imagine free-flowing water from the faucet for the duration of the career that one chooses and imagine that the sink automatically expands to accommodate any amount of water received. That is quite a bit of water that you retained.

Alas, life is not so simple. One pays money to others to receive goods and services for survival. There is a drain at the bottom of the sink. This drainage represents the money spent. One determines the amount of water that goes out the drain. If it drains faster than the income, the water level drops. If it drains slower, the level rises.

One also needs to protect the water from various sources of loss. For example, the faucet may be shut off, the sink may spring a leak, or one may have huge unexpected water losses. In these situations one needs insurance. Insurance is a financial plumber that helps to protect from water loss.

Finally, in this illustration, one may lend water to those who need it and receive extra water in payment. This is a process of saving and investment. People pay money for money that one gives them. The opposite is also true. If one needs water, and borrows it from others, he or she will need to pay them additional water in payment. This is the process of borrowing. One pays people money for the money that they lend to him or her. Figure 1.1 provides a representation of these relationships.

You may now have a sinking feeling that financial literacy represents a complicated matter to learn and practice. Like many things, it is difficult at first, but the more you work with it, the easier it becomes. Developing a compassionate approach to financial literacy is similarly difficult because it is different from most people's views of personal finance. A critically compassionate to financial literacy does not focus on the amount of water in the sink. Rather, the challenge lies in realizing the conditions that define the plumbing system and realizing that your value has a basis that is independent of the system's functioning. Figure 1.2 shows what these relationships may look like.

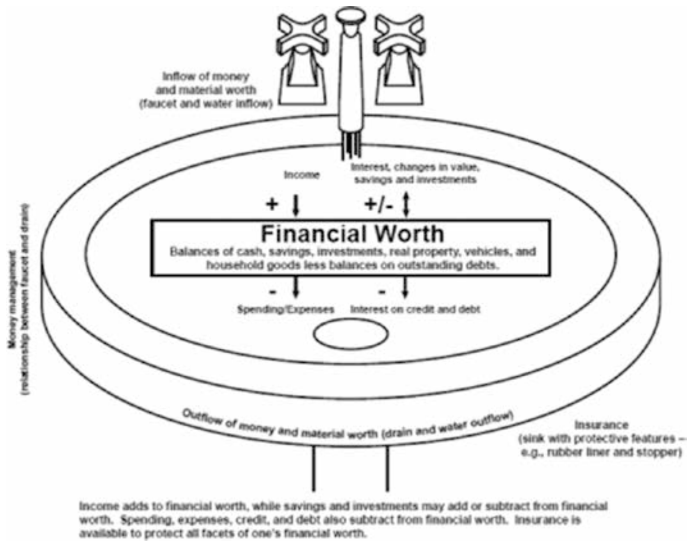

Figure 1.1. Personal financial worth – The sink analogy[1]

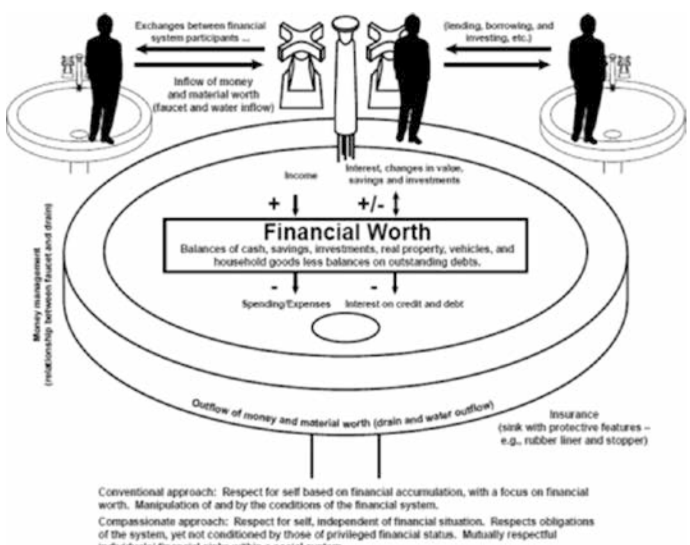

Figure 1.2. Sinks within a financial system – Conventional vs. Compassionate approaches[2]

We now provide a final word about emotions and money before concluding this chapter. It is very easy for a person to feel anger towards another who is in a different financial situation. The poor may be angry with the affluent for not sharing money. The affluent may feel anger towards the poor for not working. The value of anger is as a temporary emotion that motivates you to action, but the challenges it may present as a permanent presence in your attitude may create relationships based on poor foundations. Rather than become angry yourself, we encourage you to feel sadness for those who are angry. Sadness allows you to think about the causes of their anger and to realize that, if your fortune were different, the causes of the anger could have affected you in much the same way, resulting in an angry response on your part. A critically compassionate approach to financial literacy recognizes that one should seek compassionate views of others, just as one seeks a compassionate view of him or herself.

Questions for Discussion

1. The outset of this chapter, presented "thin" and "thick" conceptions of financial literacy and mentioned that most sources consider financial literacy from a thin perspective. Why do you think this situation occurs? How may understandings of society differ under each conception of financial literacy—thin and thick?
2. With the assistance of your teacher or professor, develop a list of the core human emotions. Then use this tool to develop key events that you remember as triggering these emotions in yourself. Review the events that you selected and decide what underlying emotions guide your feelings. Which of these events did you have a choice over? How did these events influence your thinking? How did they relate to your attitudes towards money?
3. Who are some historical figures that displayed a similar attitude or philosophy as Nelson Mandela? Conduct some informal research that uses verifiable information to learn about the conditions that prompted these persons to think and act as they did. What did you learn about their environment and its influences on their thinking?
4. Think about the family in which you grew up or in which you are growing up. What are some family stories that conclude with a version of the phrase, "if only we had not made the decision to…"? What are some stories that conclude with a version of the phrase, "It is very lucky that we had enough money to…"? How do these stories relate to your understanding of your family's financial worth? How might the answers of other individuals inform you about the financial worth of other families? To what extent is financial worth something that is earned (or not earned)?

NOTES

1 Illustration of sink developed by Philip Lamb, http://philiplamb.com/
2 Illustration developed by Philip Lamb, http://philiplamb.com/

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FINANCIAL LITERACY BENCHMARKS

4th grade

Conventional Standards	*Compassionate Standards*
A first step toward reaching financial goals is to identify the wants and needs and rank them in order of importance.	A first step in reaching fulfillment is to have a compassionate view of oneself.
	A compassionate view for oneself adapts a caring attitude towards goods, services, or people in their own right.
Systematic decision making can help people make money choices.	One's affective foundations guide the rationales of his or her money choices.
To make a decision, careful consumers compare the benefits and costs of spending alternatives.	To make a decision, caring consumers compare the social benefits and costs of spending alternatives.
Information about goods and services comes from many sources.	Information about goods and services comes from many sources whose primary interest lies in selling their product.
Every spending decision has an opportunity cost.	Every spending decision has social opportunity.

8th grade

Conventional Standards	*Compassionate Standards*
Financial choices that people make have benefits, costs, and future consequences.	People make financial choices that affect the lives of themselves and others. These decisions may contribute to the degree of care or control within society.
A key to financial wellbeing is to spend less than you earn.	A key to financial wellness involves the extent to which care and compassion provide the bases for social relationships.
A consumer should not rely on advertising claims as the sole source of information about goods and services.	The use of goods and services involves social risks and rewards. A consumer should consider the bias that underlies the information provided about purchased products.
Comparison shopping helps consumers get the best value for their money.	A compassionate approach to shopping considers the near and distant social consequences of their decisions.

ACTIVITIES

Activity 1

Brainstorm in class and develop a list of well-known wealthy people. For example, consider Donald Trump, Bill Gates, and Warren Buffet. Research the person that you select and answer the following questions about your subject:

- What is your subject's financial net worth?
- What is the background of the person that you researched? What motivated him or her through life? What do you know about his or her family? What key events defined his or her story?
- What languages do your information sources use to describe the person and his or her accomplishments? Does the language sound positive or negative? Why do you think this situation occurs?
- What are the underlying motivations and emotions within the person that you researched? Explain your answer, considering the information provided in this chapter and your own research on the person.
- Think about the company or products associated with the person that you researched. How much happier do the products that you associate with this person make you? Is your happiness internal or external? To what extent might the products from the company control you? To what extent do you control the products?

After completing your research and your discussions, conduct research on the Hollywood Forever Cemetery (http://www.hollywoodforever.com/). This famous location is where many people associated with the entertainment business spent much money designing their tombs and mausoleums to communicate the extent to which they influenced other people's lives. Consider the lengths to which people take to promote their lives after death.

- To what extent do you think these people were happy? What were the bases for their happiness?
- If you had the money, would you visit this cemetery as part of a summer trip? Explain your answer in terms of increasing your financial worth and/or personal self-worth.

Activity 2

Consider that you have the following choices for future employment:

- Drop out of high school after your junior year and accept a $10/hour job at a local fast-food restaurant.
- Complete high school and accept a $15/hour job at a store in the mall.
- Complete four years of college and accept a career professional position that pays you $30,000 per year.

- Complete option 3 above. Then pursue an additional two years of graduate school and accept a career office position that pays $45,000 per year.

Imagine that you would graduate from high school at age 18, college at age 22 and graduate school at age 28 (consider that a graduate student is working in a college-educated position until confirmation of the graduate degree. Calculate how much money you could earn by ages 30, 40, 50, 60, and age 65 for each of these positions, then answer the following questions.

What is the total potential financial worth for each position? Calculate the differences between the financial worth of each professional choice at each age. What pattern(s) do you observe in these differences? Would you say that any professional choice makes you happier than any other? Why or why not? Remember that 43 years (the time from age 22 to 65) is a very long time. What are the risks that could threaten your financial worth during those years? What are some ways that you could prevent or reduce these risks?

Activity 3

Study the image *Dives and Lazarus* by Marten de Vos, which is located at the following website (http://www.katherineara.com/i/services/lge/vos.jpg). While studying the image, listen to a recording of the song "Another Day in Paradise" by Phil Collins and read the lyrics, located at the following link (http://www.lyricsfreak.com/p/phil+collins/another+day+in+paradise_20108035.html). After viewing and listening to the pair of works, answer the following questions:

Questions related to the visual art work:

- How would you characterize the wealth of the man on the floor versus the people sitting at the table? What images in the picture provide clues upon which to base your conclusion?
- Observe the woman at table with her back towards you. What emotions does she appear to show?
- Look again at the man on the floor and the dogs at his feet. Explain the dogs' feelings based on what you see. How do the dogs' feelings compare with those of the people at the table? Which creatures' feelings would you consider to be more "animalistic"?
- On a scale of 1–10, where would you put the financial net worth of the people sitting at the table? What about the man on the floor? Explain your responses.
- On a scale of 1–10, how would you rate the personal self-worth of the people sitting at the table? What about the man sitting on the floor? Explain your responses.

Questions related to the song:

- What is the meaning of the song?
- What are the similarities and differences between the words of the song and the image that you just analyzed?

- What do you think of when you think of Paradise? For yourself? For others?
- To what extent do you consider yourself to be in situation of the girl or the person that she's calling to? What are some examples that support your response?

Study the background information about Phil Collins and Martin de Vos. To what extent does this information affect your interpretation of the image? To what extent does this information affect your understanding of the song?

Questions Related to the Topic:

- Drawing from that you see in the visual artwork and hear in the song, what conditions do you think cause the psychological and material differences between rich and poor? To what extent do you your attitudes towards the rich or the poor align with these explanations? How does your sense of personal self-worth relate to these views?
- Do you think that the poor man in the picture or the girl on the street would have different experiences if they learned about earning and managing money? Why or why not?
- What emotions might be present in the people with money who are described in the song and depicted in the visual image? Use information in this chapter to explain your belief.

Questions Related to the Pairing:

- To what extent do you think that the song and image reinforce each other in their messages? Explain your perspective.
- What other song might you select to convey the messages of the visual artwork?
- What other image might you select to convey the messages of the song?

Art-Making Activity:

- Within small groups collaborate to develop pairs of visual and musical artworks that explain your understanding of the relationships between worth, finances, wealth and poverty. You should equally value the contributions of each group member. Use one of the following options for your art making.

Option 1: Look through various newspapers and magazines for appropriate visuals and search music libraries for appropriate songs that will allow creation of an original collage that is supported by a montage of songs. Each member of the group will be expected to explain several of the visuals and at least one of the songs.

Option 2: Use various paints, markers, crayons and musical devices to create your own image and accompanying song. You will have sufficient time to provide the artworks with the needed details. Each group member will be expected to significantly contribute to the work and be able to explain its meanings.

Option 3: Use your cell phone or other electronic communication device to create a video presentation that provides supporting music as its background. You will have the time and technology tools to splice and sequence your production.

BACKGROUND INFORMATION

Marten de Vos (1532–1603) was a Flemish (Northern Belgium) painter. He studied in Antwerp (Belgium) and spent time in Italy. Many of his artworks were found in Antwerp churches and destroyed by religious radicals, who viewed the works as images prohibited by scripture.

Phil Collins (1951–current) is a modern music drummer/vocalist and song writer who has been with several bands (e.g., Brand X, Genesis, The Phil Collins Big Band). He is also a well-recognized solo artist. “Another Day in Paradise” is about how people live on a daily basis and take things for granted, until they come face-to-face with homelessness.

Activity 4

This chapter mentions that the wrestling in the human psyche between compassion and control has occurred throughout human history. Various historical figures have advocated for compassionate life styles free from dependency on material resources. For example, Confucius, Buddha, Jesus, and Mohammad all represent people who pursued compassionate approaches to living.

Make two lists. One of the lists contains times during which you felt compassionate. The other list contains times during which you felt controlling. After developing your lists, review them, and for each, develop a list of adjectives that describe the conditions under which you experienced these feelings. After completing your lists, position the times/events on the continuum below.

After plotting your events, ask yourself if there are peaceful events that you overlooked that you may wish to add to the continuum. Write a 1–2 page reflection about what you observe in terms of these events and how your observations inform about your basis for personal self-worth. How may the information in your reflection relate to your views about money, based on this chapter’s information?

CHAPTER 2

INCOME

Chapters 2 and 3 present very closely related bodies of information. Combined, their content falls within one strand of financial education standards. For purposes of this text, we organize the material into two chapters because the information provides the undercurrent for much of your financial decision-making. These chapters explain the principles with respect to the sources of money that you receive during your life and how you may think of them as they relate to your personal self-worth.

This chapter concerns the topic of income, what it is, from where it comes, and manners for its critically compassionate consideration. The next chapter relates to careers and various matters that you may contemplate as you prepare for and pursue them.

Income and career standards are apportioned between the two chapters; however, standards for grade 8 do not appear at the end of Chapter 2. This situation does not excuse prospective middle level teachers from studying this chapter. While much of the content may seem like basic information, the applications presented offer new ideas and connections for students of all levels.

INTRODUCTION

Imagine that a group of 100 people received 100,000 dollars. The 100 people were divided into five groups of 20 people per group with the money distributed among the five groups as follows: one group received 3,000 dollars to be divided evenly among its 20 members; a second group received 9,000 dollars. The third and fourth groups received 14,000 and 23,000 dollars respectively. The fifth group received 51,000 dollars. Table 2.1 summarizes this distribution of money.

How would you feel about that arrangement if you were a member of the first group? How about as a member of each other group? Would you feel noncommittal? Would you feel happy? Would you feel worried? Would you feel angry? Would you feel sad? The above scenario represents the current pattern of income distribution within the United States, according to a recent publication by the U.S. Government (DeNavas-Walt, Proctor, & Smith, 2013). This publication reported that in 2012, if one divided the income earners of the country into fifths, the fifth of the population that earned the least amount of money earned only three percent of the earned money overall. Another way of saying this is that that lowest earning 20 percent of the population earned only three percent of the population’s income. By contrast, the highest earning 20 percent of the population earned 51 percent of the population’s income. This is a very large disparity in terms of the amounts of income that people earn.

Table 2.1. Income distribution among 100 people

Group	*Group Members*	*Amount Allotted*	*Amount Per Person*
1	20	$3,000	$150
2	20	$9,000	$450
3	20	$14,000	$700
4	20	$23,000	$1,150
5	20	$51,000	$2,550
Total	100	$100,000	$1,000*

Average Amount

Chapter 1 introduced the topics of personal self-worth and financial worth. It featured the image of an expandable sink that could hold an increasing supply of water. In Chapter 2, we examine how one develops the income to support one's financial worth. How does one locate the water pipe and faucet to begin filling that expandable sink?

Contemplate how your forms of income inform your sense of personal self-worth. Personal self-worth relates to the basis for your appreciation for who you are. That worth should be the same, regardless of the amount of money earned or controlled. How can this situation occur? As we shall discuss, the amount of income that you earn relates to the value placed on your skills by others who pay you. If you concern yourself with the *amount* earned, you subject yourself to the control of the entity that pays you. If you concern yourself with the *manner* by which you earn money, you show respect for your personal self-worth by demonstrating trust in yourself to live in a compassionate manner.

Consider situations in which one learns to control money and how the sources of money (and income) that one may receive may influence this tendency to control. Arguably, the common feature of all of these processes is that something is given with the consequence that if it is not used properly (in the view of the giver), it is taken away.

Freely accepting gifts of kindness from another person may be a healthy thing to do. It is easy to appreciate when someone gives one a gift that he or she enjoys and from which he or she benefits. When people give without expectation of repayment, it is a positive experience for the recipient.

At the same time, we also know that it is not healthy to steal or take things from another person. A healthy giving experience or act of generosity comes from another person freely because the other person has not been convinced or coerced give those items. Conversely, stealing involves taking things from another, or it involves convincing or coercing another to do something that he or she would not freely do otherwise.

Some examples would help to clarify the meanings of giving and stealing. Very early in life, when you were a child, people may have given you money as a gift because you were a relative or friend—a godchild, grandchild, or niece/nephew. They wanted you to know that you were special. Money was a way of telling you that they liked you. They wanted to share with you.

They gave you money as a gift. There were no conditions on the money they gave you. It did not matter what you did with the money. It did not matter what you did after you received the money. The money was a gift because of who you were. You might have taken that money and spent it on something or put it in the bank. Whatever you did with that money, you received that money because it was given to you. You did nothing as a condition to receive it. They gave it to you because they chose to give it to you.

Income can be received from a family member or friend as money gifts or as allowances for which no specified work may be required. Families who have different amounts of money can afford to give their family and friends different gift and allowance amounts. A compassionate approach to financial literacy does not depend on whether or not one receives an allowance. It does not depend on the amount of a gift. It relates to an appreciation of oneself for who one is, regardless of the amount of money received or the ability to give large, small, or no sums of money as gifts.

Money can also be stolen. To steal means to take something that does not belong to you. Stealing can occur in two basic manners. First, it can be taken directly. A person sees a bicycle that he or she likes, but it belongs to someone else. We will imagine that the person takes the bike and claims it for his or her own. The person has stolen the bicycle.

An historical example of stealing may be found in Christopher Columbus' arrival in the Bahamas and his claiming the land as belonging to Spain. The land did not belong to Spain; Columbus used advanced weaponry and unfamiliar animals to intimidate the indigenous people to work for him. By bullying and exploiting the Arawak population, Columbus seized land that belonged to the indigenous peoples. Columbus's taking of the land represents an example of stealing. While the thief may label the act in different ways, such as realizing an opportunity or maximizing the advantage, to the victim, the situation represents a matter of theft. It involves the taking something that belongs to another and claiming it as one's own. Many examples of taking of lands occurred during the European expeditions to colonize parts of the Western hemisphere and during the building of the British Empire around the world.

A second method of stealing occurs through coercing, pressuring, or bullying a person to give up something that they would not have otherwise given. Return to the bicycle example. A person sees the bicycle that he or she likes. The person tells the owner that he or she heard that there are neighborhood thieves who are stealing bikes. He or she is willing to safeguard the bike and protect it from the thieves. As a condition, he or she gets to ride the bike when he or she likes. This person steals by using fear to pressure the owner to give the bike away. The bike was taken by manipulation. It was not given away freely.

An example from history is the Panama Canal treaty, which was renegotiated in 1977 to give control to Panama. The United States constructed the canal in the early 20th century to provide for ship travel between the Atlantic and Pacific Oceans without having to go around South America. At the time of the canal's construction, Panama was a new country, created in a rebellion against the Columbian government. According to the original treaty, the United States controlled the canal (located in Panama) for a large one-time fee and perpetual annual rental payments.

How does this example illustrate the concept of coercion? Consider this situation from a perspective of the indigenous peoples of Central America in the late 19th and early 20 century period. During the previous 400 years, increasing numbers of white people pursued their economic interests on land that indigenous people have occupied for a very long time. Because the you now control the land through your gaining independence from the Columbian government, the white people who descended from European ancestors want to control a portion of land from the independent group to build a connector between the big oceans for their ships and will offer payment in their form of currency. There is no provision in the treaty for you to receive back control of the ship passage, even though the negotiating country is a long distance away. This situation represents one where a group of people who control large amounts of resources use their control (power) to convince a group that has fewer resources (through coercion or bullying) to give their interest in a valued resource.

It is very important to understand the difference between giving and stealing to fully appreciate the concept of income. Compassionate giving occurs when the owner of a good or service transfers ownership or care for goods or services to another, unconditionally. Regardless of what one calls it, stealing represents an act of control that occurs when someone uses force, intimidation, or any other form of manipulation to take away something that belongs to another.

Discussion Questions

1. Describe a favorite gift that you received. When was it given to you? Who gave it to you? What made it special?
2. This chapter has described two types of stealing. Many may experience familiarity with the first. The second represents a way of thinking about international or intra-national relationships that is not discussed often. Revisit the definition of giving and compare it with this second form of stealing. Do you agree that this is stealing? Defend or support your argument by relating it to the definition of giving.
3. Have you ever been a victim of stealing in either sense of the word? How did you feel because of that situation? Explain the reasons for your feeling.
4. Have you ever stolen in either sense of the word? How did you feel during that situation? How do you think your victim felt? Compare your thoughts about the victim with your response to Item 3.

INCOME

People receive different sources of income, as guided by their life situations. Income can come in two general forms: earned and unearned. Money received as a gift is unearned income. A gift involves money for which a person has done nothing for its receipt. It was received without condition.

Earned income. Later in your childhood, people may have given you money because you did something for them that they appreciated. For example, you may have mowed their yard, cared for their children, or watched their pets. People gave you money; however, their giving of the money had a condition associated with it. In other words, they gave you the money because you did something that they liked. You *earned* the money. Earning money results from the performing of an act or creating of a product for someone wants so they will give you money in exchange. Another way to describe this exchange of service for money is that people who have money will give it to those who do what they want.

Earning money is different from receiving gifted money. Earned money involves money received for fulfilment of conditions agreed upon by the worker and the employer. As opposed to given money, which results from a compassionate process that involves no conditions, earned money comes from an exchange in which a person performs a behavior or act as a condition for the money received.

In other words, a person has performed some action for the employer that is rewarded with money. Earning money involves a verbal or written agreement between the employer and the worker. Stealing, on the other hand, is a controlling process in which there is no agreement about the changing of ownership of an object or funds. By developing their talents and building community with others, people have the opportunity to work with others whose policies and products they respect, or they may work with others whose policies and products they value. People earn income when they receive money for work they have performed or when they are paid for the use of their money. The type or amount of income that one receives reflects upon his or her personal self-worth.

Earning money may represent either a compassionate or controlling process as guided by the feelings and motives that undergird the transaction. Employment environments involve elements of both compassion and control.

Compassionate employment relationships involve care for or stewardship of others. Employment relationships guided by anger involve control or manipulation of others.

Unless one has a strong sense of personal self-worth, one may not readily distinguish between these different situations. Often, employers encourage positive attitudes in workplaces, yet implement policies that compromise worker safety and wellness. These environments may evoke positive feelings but lack genuine compassion for employees because the positive feeling depends upon a relationship with the business itself. The basis for the positive feeling is the organization's image or self-image of treating people well, not the persons experiencing maltreatment or unfair treatment.

Figures 2.1 and 2.2 illustrate the ranges of possible compassionate and controlling employment relationships. Figure 2.1 depicts a compassionate income process based on care and stewardship. The premise for this relationship lies in a genuine sense of care that occurs among all the parties. The stewardship occurs because of a sense of appreciation for each other both inside and outside the business environment. When a high amount of labor occurs for little or no pay, the situation is considered a gift of labor. The worker labors without compensation because the workers genuinely care about the employer. When a high amount of pay occurs for little or no labor, the situation is considered a gift of pay. The pay compensates for little labor because the employer genuinely cares for the employees. This situation may occur when both parties freely enter into the agreement.

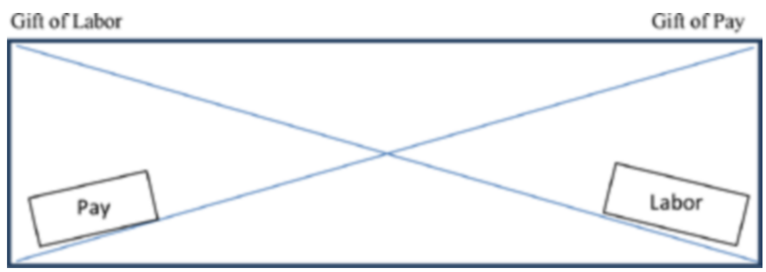

Figure 2.1. Compassionate income processes

Figure 2.2 contains a diagram of a controlling income process based on anger and selfishness. This relationship lacks a foundation of trust because the parties employ coercion and other manipulative tactics to accomplish their own goals. The control occurs because parties have little appreciation for each other and hence view each other as tools to acquire what they want. Their limited appreciation for each other relates to what they receive out of the professional relationship, rather than having a fuller, general sense of appreciation for the stories that define each party. Either the employing agency or party or the worker or employed person can be at fault in this exchange.

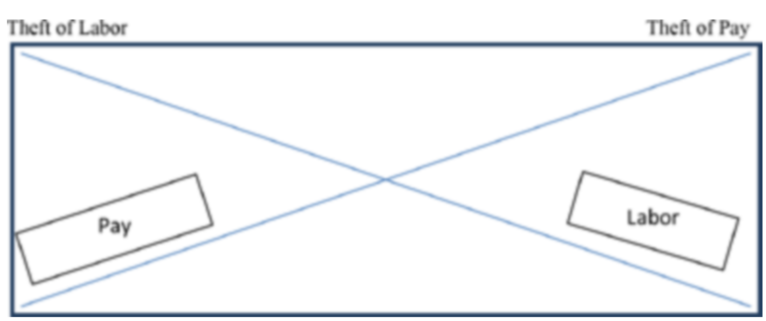

Figure 2.2. Controlling income process

When a high amount of labor occurs for little or no pay because of manipulative conditions prompted by the employer, the situation is considered a theft of labor. One or both parties entered into the agreement out of an obligation or need, rather than appreciation for the other, or the employer forced the laborers to work under poor conditions. This may be a situation where many people need jobs and are resigned to work for the employer because no alternatives exist. When a high amount of pay occurs for little or no labor, the situation is considered a theft of pay. This situation may occur when an employer needs a job to be completed, but very few may be available to perform the work. The agreement was coerced or intimidated through the withholding of resources.

Theft of pay occurs when disgruntled workers or employees steal money, equipment or their earnings because they do not participate in a mutually beneficial working relationship with the employer. Employees may use strategies such as strikes, sick-ins, and other subversive devices to slow the production of goods or services for the employer.

Think about a classroom in which the teacher rewards the students for good behavior by providing them treats for doing what the teacher wants. The teacher has coerced the students to do his or her bidding by conditioning their behavior on rewards. This situation does not represent a matter of teaching and learning as it is a matter of manipulating. The same principle relates to the control of income processes. The employer or prospective employee withholds the resources needed to receive the outcome desired.

Note that different conditions for earning money may exist, yet they all involve the employer rewarding the employee for performing the task desired by the employer. A compassionate employment relationship occurs when both parties enter into a caring agreement based on trust and respect for the other party in and of themselves. The relationship does not require convincing, but is realized without persuasion. A controlling relationship occurs when one party manipulates resources desired by the other party to attain the desired result. The results essentially benefit one party, but not the other.

Discussion Questions

1. What were some times when you entered into an agreement out of compassion? How did you feel about those relationships? What were the outcomes?
2. What were some times when you entered into an agreement because you felt forced or convinced? How did you feel about those relationships? What were the outcomes?
3. Have you ever entered into an agreement that you thought was compassionate, but then realized it was forced? If so, explain how it occurred. What did you learn from the experience?

CHAPTER 2

METHODS OF EARNING MONEY

There are two approaches to earning money: active and passive. Active methods of earning money involve some form of activity. For example, these processes may involve mowing a yard, writing a newspaper article, or analyzing some financial statements. The earning occurs because of some act that you completed.

Passive forms of earning occur through very little physical activity of one's own. Most often this situation occurs because one owns a savings account or an investment that pays interest or grows in value (appreciates). The interest or value growth is passive earning. The saver or investor selected the savings or investment account; however, the increase or growth occurred because of another person's or group of people's decisions. He or she did not actively cause the income.

With regard to the blending of active and passive forms of earning income, there are three conditions under which it may occur: (1) one may have a little money and must do what is wanted by other people to earn money from them. This person may be obligated to pursue earnings in an active manner. He or she has to perform some sort of labor to receive some of their money. (2) One may have a lot of money that other people earn by providing the products or services wanted by those who have the money to spend. This person earns money in a passive manner because he or she has so much money that the income from the money he or she already has pays for the lifestyle. People perform some sort of labor for him or her. (3) Finally, some people have a moderate amount of money. They earn money in both active and passive manners. They both provide products and services for those who have money and pay money for others to provide them with products and services.

The employment choices that people experience relate to the social situations that they inhabit. These contexts are not matters of choice. Different jobs require different skill sets. Consider all of the "good choices" that you made to get to where you are at this time. To what extent were all within your control?

The one choice that we do not have relates to our starting point. We don't choose our parents or families or geographic locations. In other words, our life and financial choices represent matters of fate or *habitus* (Arthur, 2012; Bourdieu & Passeron, 1977; Lucey, 2012). In this view, a person's position in life represents temporary occupation or something he or she inhabits, rather than something of permanent status.

Having a compassionate view of one's personal self-worth acknowledges that one is not responsible for all of his or her experiences. It accepts the here and now and acknowledges that the past is something to be learned from for a better future. With regard to income sources, one acknowledges the circumstances that created for past decisions, recognizes that those decisions cannot be changed, and yet realizes that one may amend patterns of decision-making to provide for compassionate future outcomes.

Personal self-worth relates to whether one uses the money for which he or she is entrusted in a caring manner, not how much money one controls. One's sense of personal self-worth does not relate to one's financial worth. In all three of these conditions, one could act in a controlling or compassionate manner.

The common factor that unites people in all of these situations is that all three conditions involve personal self-worth based on foundations independent of the financial conditions that they experience. In all three of the conditions a person may be either compassionate or controlling; the extent to which one experiences control or compassion depends on his or her sense of comfort with himself or herself. People of each condition are capable of compassionate or controlling financial practices.

A sense of personal self-worth is very important to financial practice. A compassionate person has a sense of personal self-worth that does not depend on the amount of resources that he or she acquires. You are responsible to yourself and others. Maintaining a positive inner sense of personal self-worth permits you to feel compassionate for others based on who they are, rather than their relationship to you. Entering into a compassionate employment relationship relates to an appreciation for the other party based on who they are or what the business represents. Employment that requires convincing or persuasion to accept represents a controlling environment. A positive sense of personal self-worth allows one to enter into an employment relationship based on compassion; however, one needs the patience and kindness to allow for that situation to occur. It can also be very disconcerting to an employee who labors alongside other laborers who earn more money for the same tasks performed. Such disparity can result in unhappiness or disgruntlement and to an unharmonious working situation without a positive sense of personal self-worth.

Discussion Questions

1. This section described the differences between giving money, earning money, and stealing money. Close your book and explain the differences among these three in your mind. How do giving, earning, and stealing appear in the views of the person from whom the money comes versus the person to whom the money goes? What are the emotions felt by each party in each of the three types of exchanges?
2. The previous chapter discussed how anger and compassion were associated with ownership of money. How do you view anger and compassion as associated with different forms of earned income?

JOBS AND CAREERS

In the following sections we discuss different forms of earned income and conditions associated with them. We describe each of these three situations in the order of the aforementioned living conditions: (1) having a little money and doing others' expectations, (2) having a lot of money based on others' efforts, and (3) having a moderate amount of money earned in active and passive manners. We begin with the situation of having a little money and actively earning money by considering jobs and careers. The following sections concern jobs and careers. Both involve active forms of earning money.

ACTIVITY

On your own, conduct informal research into studies that interpret the information gained by employers in job interviews. What aspects of job performance do interviews measure? Would you describe these elements as being related to control or compassion? Explain your reasoning.

Jobs. When one earns money, he or she provides goods or services that another needs or wants. A job is a task or assignment that you complete for another person. Think of the scene in the book *The Phantom Tollbooth* (Juster, 1961) in which Milo is asked by the Terrible Trivium to move a pile of sand from one spot to another using a pair of tweezers. That is a job that the Trivium expected Milo to complete.

Applicants disclose information about themselves to potential employers to demonstrate their qualifications for available employment vacancies. In this situation, the business controls the employment relationship. It is not compassionate because one party controls the other.

Earned income occurs when people receive pay from other people for performing jobs for them. Jobs are tasks that one expects to do for a short period of time. They are temporary. They do not last long.

Employers tend to have the advantage in pay negotiations because employers control the financial resources. The amount of money that a person earns for the job will depend on two factors: (1) the amount of money the person who wants the job completed is willing to pay, and (2) the amount of money a person who performs the job is willing to accept in payment. There are several conditions that may affect the patterns of negotiation towards agreement for payment:

- The amount of effort needed to complete the job.

If a job takes a lot of effort, the employee needs more money to compensate for efforts needed to complete the job. Why? Money pays the worker for the time and energy spent. If you have to work hard to move a heavy piece of furniture from one room to another, you would expect more money than you would to move a small pile of paperback books. There is a value associated with the effort needed to complete a job. The more effort required, the more money is expected.

- The urgency to complete the job.

If a job needs to be completed quickly, more money is needed to compensate for the job than if one has time to prepare for and execute the job. Why? Money pays for the immediacy of the action and the cost of any associated changing of plans.

- The urgency to be paid money.

Conversely, if one needs money right away and will take just about any form of work, less money is needed to compensate the employee for the job's completion. Why? Money is not needed as an additional incentive to complete the work. The person needs the money and will accept a lesser amount to perform the task.

- The expertise needed to complete the task.

Imagine that there are several individuals who are available to complete the task. One of these individuals has performed the task previously and has some knowledge and experience that will help him or her complete the job more efficiently. This person would receive more pay because of his or her ability to complete the job.

- The resources available for payment.

The supply of funds available for payment shapes the decision. A person may have limited resources to pay available workers to complete the task. Given that situation, there are two possibilities: the workers can accept a lower payment amount, or the employer can locate additional sources of money to pay the workers.

Conventionally understood, the factors that affect employment negotiations relate to labor, time, knowledge, and funding. These factors conform to the laws of supply and demand. A low labor supply may yield a high price for labor. A low demand for labor may yield a low price for labor. These conditions involve processes of control in which money (payment) relates to the manipulation of resources needed for compensation.

How might we envision a caring employer-employee dynamic? If one has a sufficient sense of personal self-worth based on inner compassion, then control of these five factors (effort, completion urgency, payment urgency, expertise, funding) should not represent a concern. A caring approach perceives resources as secondary to a sense of personal self-worth. By expressing and conveying compassion for an employer's needs, yet being respectful of one's own safety, the employee does not need to be concerned with an employer's efforts to convince him or her to be in a controlling setting. In an environment that values people for the stories of who they are, the person with the greatest compassion for himself or herself based on inner peace experiences the most freedom. He or she has the personal security to decline a financially manipulative employment condition and seek an employment setting that involves self-respect.

Given all of these factors, the question arises as to what causes people who are looking for jobs to find low pay and how might they find higher pay? There are three relationships to consider.

- The less skill the job requires, the less money the employer is willing to pay.

It is not difficult to make a sandwich for someone else. Anyone who knows how to put meat, vegetables, and condiments on bread can make a sandwich. Working in a sandwich shop does not pay a lot of money. Why is this situation the case? The task is one that almost anyone can do. This information leads to the second relationship.

- The more people that are available to do the job, the less money someone is willing to pay.

If one person declines a job offer, a wide variety of others have the same skills and will to do the work. Relate this explanation to the sandwich example above. How many people have the ability to stand behind a counter and put various food items between two or three slices of bread? The more people who are able and willing to perform the job, the less money the employer needs to pay. There will always be someone else available who is able to perform the job needing completion.

- The more urgent the need for the job, the less willing a person is to negotiate the pay that he or she will receive.

Consider this rule in terms of a person who is thirsty. If one has been exercising on a hot day, and there is nothing immediately available to drink, his or her choosiness diminishes the longer he or she goes without fluid. The more one needs something to drink, the less particular he or she is about the drink received. If in a situation in which one is thirsty but not desperately so, he or she is more willing to decide upon different drinks that may be available. If one wants something in an urgent manner, he or she less willing to evaluate it than he or she would if he or she felt less pressured.

While you may feel obligated to respect the expectations of a prospective employer, remember that businesses and corporations are constructed for special social purposes by individuals or groups of individuals. These purposes may be based on compassion or control. When these institutions cause harm to individuals who consume their products or use their services or cause harmful community within the institution or with its surrounding environment, society has the compassionate responsibility to get the institutional executives to recognize the harmful consequences caused by their actions. In turn, it is also important to feel sad for these institutional executives and for the societal conditions that prompted their need to control or harm others in the name of profit. You have the right and responsibility to yourself to pursue employment processes and environments that respect you for who you are. It is entirely appropriate to decline an employment offer that may compromise you or to your principles.

A compassionate situation may come about between an employer and an employee. In this type of situation, one or both persons experience a stronger sense of inner personal self-worth such that each recognizes the other as a narrative of meaning, not as a means to fulfillment. The job seeker has a sense of inner personal self-worth such that he or she is willing to refuse job situations that involve the prospect of performing or experiencing harm. The employer respects the job seeker for his or her potential contributions to the business experiences. If either party feels unsafe about the other, he or she should cease and desist in the process and pursue another.

Return to the thirst example. How do you avoid a situation of being desperately thirsty? First, you realize that the drink is not necessary to short-term survival. Second, you must prepare for the possibility that you may be away from fluid for some time. Applying this reasoning to a search for employment, realize that your value does not relate to your possession of a job. Plan for your position, realizing a potential supply of jobs available for you to pursue, and develop a unique set of skills such that people view you as a compassionate alternative to others who may also want to compete for the job. In other words, you appreciate yourself enough to have the ability to say “no” to controlling environmental contexts.

This possibility sounds rather silly. But think about it carefully. An employment decision based on financial outcomes, rather than human wellness, represents a prioritization of money over people. When one has a sense of personal self-worth that relates to self-compassion, money does not hold the importance of other caring aims. The person may decline employment opportunities that offer more money yet lack the value associated with a safe responsible community. He or she places more importance on his or her sense of personal self-worth than on the need for money. The need for money is less important than his or her inner sense of self. People seek employers who value compassion. The employers and hirers seek employees that possess caring attitudes to affect compassionate environments and stimulate business based on caring values. He or she has compassion from which other people may learn. He or she offers an alternative to a controlling demeanor.

One can decline a source of income if he or she is not comfortable with the control exercised by the income source. With sufficient unearned income, one may not need earned income. Having enough passively earned income, one may not need actively earned income. To compassionately earn the most income, one needs to (1) have a variety of employers to choose from, (2) distinguish oneself from other prospective workers, and/or (3) possess the knowledge and skills to do the job well. In other words, a person depends upon employment unless he or she has the financial backing to resist it.

You might be reading this passage and coming to the conclusion that we advocate that you attend to principles. If so, you are beginning to realize a compassionate approach to income.

We will imagine an extreme example of a controlling income source explored in the video documentary Miss Representation (Newsom, 2012) and described in detail by Christopher Hedges (2010). These works describe the media efforts to portray women as objects for male entertainment and how readily recognized publically held corporations invest in financial interests that profit from efforts to film the sexual degradation of young women.

Many young girls and women view the entertainment industry as the easy road to fame. The problem with this pursuit lies within one’s making oneself an object for others’ entertainment. Having a compassionate view of oneself recognizes that your physical appearance matters less than an internal basis for personal self-worth.

A matter of principle represents a rule that you follow and apply to life situations. For example, you may have a principle of not working for someone who calls you “Buddy” all the time. You are not the person’s buddy. That person simply calls you that name impulsively, not because he or she is your friend.

At the same time, the entertainment industry promises to make you a famous star that everyone will appreciate for a particular talent. All you need is an agent and training. Here is the reality. You do not need an agent and training to be who you are. You do not need someone to make you beautiful or attractive. You are beautiful and attractive for the story of who you are and the things that you will be and do.

Your personal self-worth relates to the form of income that you pursue. Just as you would not wish to be exploited or be used as an object for someone else's enjoyment, so too would you not wish to exploit another or use him or her as an object. You have the right to an income. You also have the right to an income from a source that respects all its community members.

Earlier in this text, we considered the various forms of psychological trauma that can occur and the different agents that related to them (e.g., environmental, personal, substance). Consider the different income sources that result from these agents. To what extent would you consider earning money from a source closely connected with sources of these agents?

The underlying principle conveyed in this text concerns compassion for you such that you interact with others in a manner that reinforces your sense of personal self-worth. This compassion or caring relates to an inner sense of calm that resists sources of disruption and responds to opportunities for community based on stewardship. Your financial decisions towards income should reinforce this sense of calm, beginning with your income source.

When considering prospective employment or employees, the guiding principle relates to the decision that best preserves your compassionate sense of personal self-worth. This process does not involve choice based on the greatest accumulation of money. It does call for one to seek or create a social environment that involves safe coexistence based on mutual trust. Think again about the difference between financial worth and personal self-worth. If you had financial worth, but little or no sense of personal self-worth, you would need to work to develop a basis for resisting a controlling employment situation. With a compassionate sense of personal self-worth, you can respect yourself and create or locate a caring environment for earning income.

Discussion Questions

1. Consider a time when you were interviewed for a job. How did you prepare? On what basis did you evaluate your interview performance?
2. Imagine that you are unemployed. (You may very well be unemployed.) Reflect on how you feel about yourself and the reasons for these feelings. If you feel badly, what are the reasons for these feelings? Consider whether your sense of personal self-worth depends on these sources. What are some ways that you can develop that compassion for personal self-worth and thereby develop potential income sources?

3. Consider your most recent job interview. To what extent were you evaluated and to what extent were you evaluating the employer? On what bases were these judgments made?

EMPLOYMENT AND CHOICES

While many different types of job opportunities exist from which to choose, employers possess many different prospective employees from which to select. Different jobs require people to possess different skills. People can choose to develop skills to work for these businesses or develop skills that support other aspects of the community.

The choices that people make with regard to development of their skills are shaped by their experiences, environments, and resources. You should recognize the importance of differentiating between personal self-worth and financial worth. If you acknowledge personal self-worth as something separate and distinct from financial worth, you know that the amount of money that you earn does not have to guide your decision-making. Why not?

Think about this in terms of money received (gifted), earned, and stolen. You need money to meet your basic needs (food/water, shelter, and clothing). However, the amount of money for which you care does not affect your personal self-worth; it affects your financial worth. You make choices about how you will receive money in life. The choices you make in terms of the sources and funding of income relate to how you view your personal self-worth.

Note the reference to "caring for" money. In this text, we distinguish between compassionate and controlling financial practice. A focus on developing net worth (accumulating money) involves financial control in which one obsesses with the technical and practical aspects of financial management: learning the technicalities of various financial tools and strategies for getting the highest financial returns. The over indulgence with financial particulars represents an unhealthy obsession.

Business executives and administrators receive significantly more earned income than other business personnel. Regardless of compensation amounts and financial net worth, business executives and administrators have the same potential sense of personal self-worth as any other person.

Obsessing about money as a tool to control things, whether they are people or objects, represents an unhealthy state potentially associated with psychological trauma. Respecting other people realizes that each person has the right to be respected for who he or she is, not as object to fit your economic, social, or political agenda. Money represents a symbol of one's views towards others. When one has a strong sense of personal self-worth, he or she does not view money as an object that needs to be controlled. Rather, the person views it as a resource that offers potential to contribute to others' personal self-worth.

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FINANCIAL LITERACY BENCHMARKS

4th Grade

Conventional Standards	*Compassionate Standards*
People have many different types of jobs from which to choose. Different jobs require people to have different skills.	The employment choices that people experience relate to the social situations that they inhabit. These contexts are not matters of choice. Different jobs require different skill sets.
	Employment environments involve elements of both compassion and control.
	By developing their talents and building community with others, people have the opportunity to work with others whose policies and products they respect, or they may work with others whose policies and products they value.
People earn an income when they are hired by an employer to work at a job.	People earn income when they receive money for work they have performed or when they are paid for the use of their money. The type of amount of income that one receives does not reflect upon his or her personal self-worth.
	Business executives and administrators receive significantly more income than other business personnel.

ACTIVITIES

Activity 1

Conduct informal research into the lives of your parents and grandparents. Include the type of work that they pursued and the extent that they held short-term versus long-term jobs. After completing your research, share your information in small groups by answering the following questions for each person's family stories.

- What were the conditions in which each parent or grandparent was raised (e.g., economic status, emotional patterns, life philosophy)?
- How did these conditions relate to the expectations for the bases and amount of income instilled in these individuals?
- What do you observe about the income and job contexts for parents and the aspirations of the children?

- To what extent are the characters in your stories workers or employers? What do the stories inform you about traits of each role?

After discussing in small groups, individually reflect on your learning, using the following questions to guide your thinking.

- How would you interpret the bases for personal and financial worth presented in the stories?
- What are your professional ambitions and your attitudes towards money? How does they compare with your parents' and grandparents' experiences?
- To what extent do you believe that your place in life now represents a matter of choices that you made?

Activity 2

People use different words to express different interpretations of the same event. A common example may be the outcome of a sporting event being a win or a loss, as interpreted by the team or individual and outcome. With regard to jobs and income, the language used to describe a concept or event depends on the context of the person interpreting the situation. For example, the phase "seize the opportunity" to one may be construed as "exploit" by another.

Locate brief biographical accounts of two historical figures, one regarded well for his or her economic accomplishment and the other regarded well for his or her efforts to pursue social justice. For example, you might think about John Rockefeller and Jane Addams. Look carefully at the explanations of their achievements, identifying key descriptors and phrases. Then change the language of the biography to convey an alternative perspective (maintaining factual accuracy). Share the results of your work in groups.

After completing your discussions, develop a written reflection upon the basis for your sense of personal self-worth and how it relates to the patterns of income that interest you.

Activity 3

Review the cartoon "Who's Violent" associated with the Lawrence, Massachusetts textile strike at the following website: http://www.laborarts.org/collections/item.cfm?itemid=409 and read the caption to the left of the cartoon. Individually, write answers to the following questions.

- What emotions do you feel after looking at the cartoon? Explain the reasons that you have these feelings.
- To what extent do the cartoon and the caption relate to the concept "Theft" discussed in this chapter?
- What is the basis for worth expressed in this image?

- If you were to choose a song to accompany this image, what song would you choose and why?
- Think about your K-8 education with relation to US history. What historic events from around the 1911 did your social studies classes cover? (Hint: The president during that year was William Howard Taft.) To what extent is the cartoon similar or different to those events?

After writing your answers, share your responses in groups, taking notes about your conversation. Then write out your answers to the following questions.

- What additional information about the event and American history did you learn through your conversation?
- What additional information do you want to know about the events and the time period that you did not learn?
- What are some current conflicts between workers and employers that may be publicized in the media today? Are there any that you can think of that are not being publicized?

After answering these three questions, draw a cartoon that illustrates your experience of relationships between workers and employers. Answer the following questions.

- To what extent does your image depict emotions that are similar or different from those expressed in "Who's Violent?"
- What factors explain the similarities and differences between your image and the "Who's Violent?" image?
- To what extent are the images expressive of compassionate and controlling feelings?

Activity 4

Create a list of five skills or talents that you possess for which others will pay money. Ask your teacher to create a master list of all these skills/talents by writing on the whiteboard at the front of the classroom. For items where more than one student identified the same skill/talent, ask your teacher to indicate the number of students who identified that trait (e.g., Solve puzzles (3)).

After creating the class master list, review your personal listing of skills/talents. Erase or cross-out the three items that you have most in common with your classmates. Replace the removed items by listing three additional skills/talents that you possess, avoiding items from the class list. Consider your new list of unique personal skills/talents. What are some jobs that you could perform, based on your list of unique personal skills/talents?

Review your new list of unique personal skills/talents. Next to the list or column of skills/talents, make two additional columns. Label one column "compassion" and the other column "control." Then, in the appropriate column, write one way that you could use each skill/talent a compassionate manner you could use it in a controlling manner. Finally, for each job listed, explain how the job could be used for compassion or for control. Discuss and justify your decisions.

Activity 5

Marketing is a process by which you inform other people about your skills/talents. You develop others' awareness of your professional skills and accomplishments. Marketing represents a different skill and process than applying for a job. Marketing informs other people about you and your qualities.

Develop a list of 10 things that you can do to market yourself. After completing your list, consider the ways that you promote yourself in these marketing strategies. To what extent are your efforts internally or externally based? For example, do your skills concern intelligence and integrity or do they concern resources that you control? To what extent can you experience fulfillment based on external source of worth? Justify your response in terms of our chapter discussion of internal and external sources of personal self-worth.

Activity 6

Generate a list of five jobs that you were recently paid to do. List the amount paid next to each. Determine how much you were paid on an hourly rate. Ask for your teacher's help if needed. Which and how many of these jobs were things that anyone could have done? Which and how many of these jobs were things that only you (or a limited number of people) could do?

CHAPTER 3

CAREERS

One may interpret a career as a job or series of jobs performed for a long period of time. Careers are based on working at jobs in the same occupation or profession for many years. Different careers require different education and training, yet all career changes require money to pay training costs. People make many decisions over a lifetime about their education, jobs, and careers that affect their incomes and job opportunities. These choices are influenced by their financial and emotional needs.

Consider the prospect of performing the same work for more than 45 years. If such is the case, the job/career selected will need to be something truly enjoyed. It will also need to be something appreciated.

Think about being paid a small amount for performing the same task every day for 45 years. It can come to be a challenge after a while if you do not perceive a worthy purpose for the task. Think about Milo in the example from Chapter 2. Imagine being paid $15 an hour to move a pile of sand from one place to another with a pair of tweezers for 45 years. Despite the payment of money, the task has little career potential because it lacks a real purpose. It lacks meaning, and the inadequate tool for its completion causes the task to last for a very long, unbearable amount of time.

How do you increase your skills and knowledge to qualify for a career that you find fulfilling and meaningful? Going to school and earning a college degree increases your likelihood of finding a job that has purpose. Having a college degree, you are also more likely to qualify for a job that pays more than you would if you did not have the knowledge for that degree. Review the statistics in Table 3.1 that relate to education, earnings, and unemployment.

Investment in education and training generally has a positive rate of return in terms of the income that people earn over a lifetime. The return relates to the cost of the education and training, the amount of pay from the career, and the amount of time spent in the career. Education, training, and development of job skills have opportunity costs in the form of time, effort, money, and personal relationships.

The area of study that supports the degree relates to the knowledge possessed and the potential income earned. According to a recent report from the Census Bureau (Julian, 2012), people who majored in architecture and engineering, computers and math, management, business and financial, healthcare practitioners and technicians, sales, and science all earned more than the average amounts earned by all occupations

Table 3.1. Patterns of unemployment and earnings by level of education attainment

Education attained	*Unemployment (%) in 2013*	*Median weekly earnings*
Doctoral degree	2.5	$1,623
Professional degree	2.3	1,714
Master's degree	3.4	1,329
Bachelor's degree	4.0	1,108
Associate's degree	5.4	777
Some college, no degree	7.0	727
High school diploma	7.5	651
Less than a high school diploma	11.0	472

Retrieved from http://www.bls.gov/emp/ep_chart_001.htm

during a work life. People who are employed in fields that related to engineering, computers and math, science and engineering-related fields, business, physical science, or social science also earned more than the average.

The fields in which you study will affect the people you meet and the degree to which they influence your career and other life decisions. The type and nature of the university that you attend will similarly impact these factors and thus influence your earning potential.

Regardless of where you learn or work, or how much money you earn, you will encounter people who practice degrees of compassion and control. You have the right to choose the school or work-related environment that you experience and the people with whom you associate. By maintaining a sense of personal self-worth based on compassion, you may feel safe making compassionate decisions that extend to your personal and professional settings.

According to a spring 2013 report by the National Association of Colleges and Employees, starting salaries for college graduates with education degrees were approximately 74 percent (less than three-fourths) than they were for college graduates with business degrees. While special education majors commanded higher salaries than education majors in general, their starting salaries were approximately 85 percent that of business graduates.

College Factual evaluates colleges based upon the academic potential of the student body, the university's resource commitment to students, the percentage of students that complete their studies, and the earnings of institution graduates. Table 3.2 discloses College Factual's report for the starting and mid-career salaries for the five business schools whose graduates earn the most. How would you describe the characteristics of these schools?

Table 3.2. Salaries for the business schools whose graduates earned the most money

	Institution	*Starting Pay*	*Mid-Career Pay*
1	University of Pennsylvania	$60,000	$125,000
2	University of California, Berkeley	$63,000	$114,000
3	U.S. Military Academy	$53,000	$123,000
4	Georgetown	$60,000	$115,000
5	University of California, Los Angeles	$60,000	$113,000

Source: http://www.collegefactual.com/majors/business-management-marketing-sales/rankings/highest-paid-grads/

Table 3.3 provides the starting and mid-career pay for the highest salaried graduates who study education at education schools. What ideas come to mind when you think of these schools?

Table 3.3. Salaries for the education schools whose graduates earned the most money

	Institution	*Starting Pay*	*Mid-Career Pay*
1	San Francisco State University	$42,000	$74,000
2	Southern Methodist University	$38,000	$78,000
3	New York University	$43,000	$70,000
4	Washington University, St. Louis	$50,000	$63,000
5	Boston College	$42,600	$70,000

Source: http://www.collegefactual.com/majors/education/rankings/highest-paid-grads/

Finally, Table 3.4 presents the starting and mid-career pay for the graduates who study education at schools that focus on education. This table displays the schools

Table 3.4. Salaries for the colleges with most students focused in education

	Institution	*Starting Pay*	*Mid-Career Pay*
1	St. Joseph's College of New York (38% of enrollment)	$35,000	$54,000
2	SUNY Courtland (37% of enrollment)	$36,000	$57,000
3	Trinity Christian College (35% of enrollment)	$35,000	$51,000
4	Niagara University (35% of enrollment)	$35,000	$56,000
5	Tusculum College (34% of enrollment)	$33,000	$45,000

Source: http://www.collegefactual.com/majors/education/rankings/most-focused/

that have the highest percentage education students as part of their enrollment for which salary information was provided.

Discussion Questions

1. Conduct some informal research that concerns the origins of the schools listed in the preceding tables. What are the similarities and differences between the schools that appear in the business table and those that appear in the education table?
2. What are the factors that may influence a person's decision to study education or business? Relate these factors to the salaries that you observe in the tables. To what extent are these factors related to compassion or control?
3. Stereotyping is a term that refers to the assigning of a particular trait or set of characteristics to a group of people. Do you think that the above discussion stereotypes people based on their respective areas of study? If you answered in the affirmative, explain why. If you responded in the negative, why do you disagree?

DEVELOPING EMPLOYMENT SKILLS

Acquiring more education and learning new job skills can increase a person's human capital and productivity. It also increases marketability to find or create other income opportunities. People with less education and fewer job skills tend to earn lower incomes than people with more education and greater job skills. People with more education and skills for higher earning jobs control access to education and professional development opportunities.

Some people who have little money may feel a need to earn money by performing tasks desired by other people who have much money. Those who control money provide the conditions that individuals must meet in order to earn this money. Successful progress through high school and college represents a generally accepted method for meeting the required condition of developing essential requisite skills needed for employment in a career. After completing your diploma or degree, you may also have to meet the condition of an additional license or certificate that documents your qualifications for employment in your chosen career.

How does one prepare for work offered by others than those who desire to control? Perhaps the solution lies in (1) finding a situation that cares for you as an individual and (2) pursuing an environment that compensates you based on an appreciation for who you are, as well a skill that you represent. Locate an environment that pays you for who you are, rather than a tool for the business's making a profit.

One may argue that such a decision-making basis does not exist within a professional climate. We would respond that this pattern represents the prevalent form of decision-making when one considers the number of family-owned businesses, including corporations, and the hiring of children to maintain the tradition of family business control.

To earn the money, one needs to provide the good or service wanted by the person who has the money to buy it. When planning a career, one should take time to think about what skill set one wants to practice for an extended period of time. The goal of earning an income involves maintaining a sense of personal self-worth by earning income in a manner of social integrity. When making a career choice, one should consider (1) whether the career itself fulfills one's sense of personal self-worth based on principles of compassion, and (2) whether the career represents a professional relationship with an employer who practices compassionate principles. When one receives sources of income that fulfill a sense of personal self-worth in a compassionate setting, he or she experiences reinforcement of principles that value him or her for who he or she is. If the environment changes, one has the right and responsibility to himself or herself to find a setting that practices the respectful compassion that he or she values.

People earn incomes when hired by employers to perform work, and they commit to long careers. They make many decisions over a lifetime about their education, jobs, and career paths that affect their incomes and employment opportunities. At the same time, it is important to remember and reflect upon the conditions that cause these decisions to be made. Decisions about education often relate to available money, personal feelings, and family support.

An example from professional sports would be appropriate to illustrate the tension between family and money. In this situation, a player had to make a decision between choosing to support his family or pursue a professional responsibility. This dilemma represented a choice that influenced the potential income the player would earn for the team and himself, the conditions under which his wife would give birth, and the story that defined the beginning of life for another individual. Certainly, the team would have given the player leave to be with his wife for the child's delivery. However, a sports broadcaster recommended during the telecast of the game that the athlete encourage his pregnant wife to have the child through surgery to ensure that he could play on the first day of the season. The broadcaster argued that money earned by playing the game was more important than the child's natural birth. The broadcaster's comment revealed a distorted perspective of the sport that disrespected the player and his family. The premise of the comment was that earning money for corporate advantage and popular entertainment represented a higher priority than maintaining the commitment to his wife and providing a secure beginning to the life of his child. It is very worrisome that the broadcaster has such sense of control in him that caused him to give such advice and shape the thinking of the many viewers who watched the televised game. One can also feel sadness for the broadcaster, and whatever previous experiences caused his need to encourage another to pursue money as the source of his expressed self-worth rather than provide the compassionate support to his family.

One can make the effort to locate, find, or create a compassionate setting to work or can spend his or her life moving from employer to employer in order to pursue a non-controlling career. Or one may also pursue self-employment. Self-employment has the attraction of allowing one freedom to control his or her activities and complete his or her work on his or her own schedule. At the same time, self-employment requires the following elements:

- discipline to maintain a focus on work;
- financial capital to get through the early years as one develops income sources;
- social capital to develop contacts with people who will become income sources;
- competence to complete the job properly and build the trust to develop the business;
- patience to appreciate the fact that things do not always happen as one wishes and to realize that adjusting to others' needs is part of community building.

What is the key ingredient for that ties all these elements together? It involves a sense of personal self-worth. If you have confidence in and appreciation for who you are *and* if you possess the skills to practice your career well, it is possible for you to manage your own career path.

At the same time, although you may have a great sense of personal self-worth and self-confidence, there are very few success stories of those who have managed successful businesses without sufficient capital or funds to support the process. Business income results from the difference between what the business sells and what the business buys, minus costs of production and administration. Without enough money (capital) in reserve to get through the start-up costs associated with beginning the business, one may soon have a negative financial net worth.

People who own a business can earn a profit, which is a source of income. They also have a risk of loss which may take away from their financial worth. At the same time, it is possible to operate a business of legitimate social worth that does not earn a profit. There are different business organizational structures, some are for profit and some are not for profit. One should not despair in this situation. Personal self-worth derives from having compassion for who you are. Keep in mind that there are different business structures, some for profit and some are not for profit.

MONEY FOR BUSINESS

Entrepreneurs take the risk of starting a business because they expect to earn profits as their reward and because they want to help the community. Many new businesses can and do fail. The key determinant of a business's success is capital. Some entrepreneurs gain satisfaction from working for themselves. Imagine that you want to start a business; however, you do not have the capital to do so. Are you stuck forever in the land of unfulfilled dreams?

People who have more financial capital can afford to accept greater risks to start a new business than those with less capital. Consider a business that generates a profit such that the annual return on equity of 10 percent. In other words, the business earns $10 for every $100 in capital. Imagine that the business has $7,000 of capital. At a 10 percent return on equity, that business earned $700. What amount of capital does the business need to earn at 10 percent return of $30,000? It needs $300,000.

Where can one obtain capital to support a business idea? One option is to borrow the money and repay the loan with business profits. Another alternative involves finding a friend who has the money and will provide capital funding.

Finding a friend who knows about business and has profited from a successful business of his or her own offers the opportunity to learn about principles of developing a successful business. This arrangement allows you to benefit from the friend's expertise.

Finding a friend who knows about business, who has been successful in development of that business, and who has a compassionate approach is a wonderful idea. Working with a friend with whom you have a built relationship based on trust allows you to relax and focus on your job. You need be less concerned with betrayal than you would with a total stranger. This person has expertise. He or she has been successful in business and can provide information from which you can learn. Finally, previous associations with this person may demonstrate that he or she has a sense of compassion. Having compassion means that your partner respects others. He or she is respected for his or her caring attitude in regards to the stakeholders (i.e. the clients, the co-workers, and the community). Certainly, you do not want to enter your business venture as a novice, without the support of a compassionate role model and knowledgeable mentor. Learning a compassionate approach, that practices kindness to others while setting limits on acceptable behavior, allows one to realize financial worth and personal self-worth.

COMPENSATION

Employers pay their workers in different ways, such as wages, salaries, or commissions, based on the nature of their task. Work that is more labor intensive may receive less pay than work that relates to managing people, laws, or money. Wages are paid for the time a person spends on the job. For example, a person who makes sandwiches may receive $9 per hour. While a person may certainly lose his or her job for poor performance, the rate of payment does not relate to the quality of the work. It simply relates to the person's work-related presence. Under this system, there are three ways that a person can increase the amount he or she is paid: (1) spend more time at work, (2) obtain a higher rate of pay per hour for completing the job, or (3) seek out and perform another job that pays more.

A salary represents a method of payment by which an employee receives a certain amount for his or her work over a long period of time, such as a year. A salary may be determined for periods of a year or longer. For example, a person could have a salary of $20,000 per year or could have a salary of $200,000, depending on how much his or her employer values the work that he or she performs. The employer pays the person every two weeks or every month in anticipation that the person will satisfactorily complete the tasks for which he or she is responsible. Presuming that the job is done well, a salary represents a regular, dependable, and stable source of income that is contingent upon satisfactory completion of assigned tasks.

A commission represents payment that occurs when the sales person receives a percentage of the price of each item sold. In general, the higher the price of the item sold or higher the rate (percentage) of commission, the more money a person makes. Imagine you are in the business of selling houses, and you receive a commission of $3 for every $100. You sell a house that's worth $100,000. As a result, you receive a commission of $3,000. Here is another example; presume that a car salesman receives $25 for each $100 over invoice that a car sells for. The car sells for $500 over invoice, so the salesman receives $125.

EMPLOYEE BENEFITS

What is a benefit? A family that cares for each other may have one or two members who earn money to provide shelter (for example, a house, apartment, or condominium), food, and clothing for everyone in the immediate family unit. Families offer items to make life as comfortable as they can for their members. The family serves as a social model and helps its members learn how to relate to other people.

Families may also provide emotional security. The way that your parents of guardians treat you is the way that you learn how to treat others. Different families treat their children in different ways. Many families are compassionate with their children. They are patient and kind. The parents listen to the children. They celebrate their successes and share their troubles. They build trust by doing what they tell their children that they will do and by being available when the children need them. A benefit of living in this type of setting is that children learn to be dependable adults who can speak directly and have confidence about who they are without threatening others.

A benefit is an advantage that one realizes from a circumstance or a setting that he or she experiences. Large businesses and government organizations may offer employees financial benefits, such as insurance and retirement. These benefits may include forms of insurance, such as health, disability, and professional liability, which may be more expensive to purchase if obtained separately on one's own. Health insurance provides money that pays for doctor or hospital bills if one becomes sick. Disability insurance helps replace income if one cannot work for a certain period. Professional liability insurance helps pay for legal expenses if someone claims to have been injured through your professional activities.

The amounts of wages/salaries minus payroll deductions equal take-home pay. The employer generally determines the benefits that are available for payroll deduction. What are some other benefits of working for employers? An employer may provide opportunities to participate in a retirement plan or to purchase a percentage of ownership in the company. These are ways of putting money aside for a long time, with the possibility of having it increase in amount for some future use.

How are these benefits paid for? The employer arranges for the costs of these benefits to be deducted from the paycheck. Gross Pay represents the amount of money earned. Deductions are the costs of benefits for which one enrolls. Net pay represents the amount of money that is actually paid or which goes into your account.

Not every business offers financial benefits to its employees. The size of the business and nature of the work affect the financial benefits offered. Because certain professions are, by definition, hazardous, the cost of insurance for their employees is very expensive. For example, hair stylists and beauticians work with a lot of chemicals and sharp objects that can adversely affect their health. Because of the health risks associated with their jobs, people in these professions have difficulty obtaining disability insurance. The type of work that one pursues and the nature and size of the employer determine the amount and type of financial benefits offered.

The extent to which an employer/employee relationship yields mutual benefits relates to the degree to which the relationship involves compassion and control. Benefits of an environment based on compassion extend to all its participants. In a compassionate professional relationship, one works in a setting based on trust, care, and stewardship. Each member of the work team respects the others' independence, yet trusts that mutual support exists. If the environment changes, one can work towards a more caring setting or seek a different employment situation that has compassionate practices.

INTEREST INCOME, DIVIDENDS, AND CAPITAL GAINS

Imagine a person has so much money that the interest and dividends paid by corporations and individuals to use this money are enough to pay for his or her lifestyle. The person does not need to work. He or she simply takes the proceeds from peoples' use of his or her money and uses them to pay other people for the things needed to live. How much money would that be?

Imagine a need of $20,000 per year to live and investments that earn 5 percent each year consistently. In other words, in order to live on the invested money, the 5 percent return from invested money must come to $20,000 annually. Thus, in your particular circumstances, to answer the question posed in the preceding paragraph, solve the following mathematical problem: $20,000 represents 5 percent of what amount? What is your answer?

$400,000! Take the amount of interest anticipated and divide it by the interest rate!

Now imagine that you have a living need of $40,000. Investments are only earning 2 percent each year. How size money pool do you need?

$2,000,000! To increase the amount of income that received from interest, dividends, and capital gains, increase (1) the pool of money that is generating interest for you and/or (2) increase the rate of return that the pool of money generates.

People can earn interest income by lending money to others. Because some people control more money than others, they earn more interest income than others. Some people earn interest income in amounts that are more than some people earn from low income jobs. People can also earn interest income by letting others borrow their money. Because some people control more money than others, they earn more interest than others. Some people earn interest income in amounts that are greater than some people earn through labor.

Consider this situation in more depth. A person needs a large amount of money to be able to live off the interest, dividends, and capital gains. How does one come to find oneself in such a position? There are several ways this can happen.

First, income can be received from family or friends as money gifts or as an allowance for which no specified work may be required. Some families have larger amounts of money than others. Families who have larger amounts of money can afford to give their family and friends larger gift and allowance amounts. Indeed, this appears to be the reason that many people become wealthy. Consider the following statistics that are provided in a report by United for Fair Economy.

- Six of every ten dollars earned by the wealthiest persons comes from passive income, which is taxed at a lower rate than income from labor.
- Four of every ten people on the list inherited money from family members who were on the list.
  (Source: http://faireconomy.org/sites/default/files/BornOnThirdBase_2012.pdf)

Most people who have a lot of money inherited that money from family or earned it from financial investments.

Second, income can be earned through your work. We talked about earning money through jobs and careers. It is possible to save money from your work to have a large amount for something later. If you want income from interest, dividends, and capital gains associated with financial investments, you need to set aside money that you have received from jobs or a career.

So, can you accumulate a pool of money by saving? You can, only if you earn enough from your job to put a meaningful amount of money aside.

Think about this by using a comparison example of earning money for only one year. Each person saves 10 percent of his or her monthly paycheck for a future purpose.

- James earns $20,000 a year or $1,667 gross per month.
- Jane earns $30,000 a year or $2,500 gross per month.
- Joe earns $40,000 a year or $3,333 gross per month.

Imagine that each person saves 10 percent of his or her pay and examine how much each has saved by the end of one year. Table 3.5, below, informs one about the important relationship between salary earned and the amount of money saved.

Table 3.5. Hypothetical comparison of three individuals' salaries and savings

	Annual Salary	*Monthly Salary*	*Monthly Savings*	*Yearly Savings*
James	$20,000	$1,667	$167	$2,004
Jane	$30,000	$2,500	$250	$3,000
Joe	$40,000	$3,333	$333	$3,996

The comparison can be taken further. A person receives interest income on his or her savings. The interest is earned as soon as the money goes into the account. We will presume that each person earns five percent interest annually and that the interest is compounded and paid monthly. In other words, the interest paid each month is the amount paid in plus the interest paid on the account.

For example, James saves $167 per month. At five percent interest he earns $.70 after the first month. We calculated the amount by the formula $P(1+r/n)^{nt}$. In this formula, P represents the amount invested, r represents annual rate paid, n denotes the number of times interest compounds annually, and t stands for the number of years of money is deposited. After month two, the five percent interest is based on the $167.70 plus the additional $167 saved.

Table 3.6. Hypothetical comparison of three individuals' salaries and savings plus compounded interest

	Annual Salary	*Monthly Salary*	*Monthly Savings*	*Yearly Savings*	*Yearly Savings + 5%*
James	$20,000	$1,667	$167	$2,004	$2,059
Jane	$30,000	$2,500	$250	$3,000	$3,083
Joe	$40,000	$3,333	$333	$3,996	$4,106

When adding interest of five percent, one observes the effect of compounding interest over a very short time. Joe earned twice the salary and put aside almost twice as much as James. Yet when considering the effect of compounding, Joe has nearly double in savings compared to James. This is a large difference for just one year!

Extend this difference to five and ten years, keeping contributions and interest payments the same. Note the size of the difference after just 10 years.

Table 3.7. Hypothetical comparison of three individuals' salaries and savings over 10 years

	Annual Salary	*Monthly Amount*	*Monthly Saved*	*Year's Savings*	*Year's Savings + 5%*	*5 years*	*10 years*
James	$20,000	$1,667	$167	$2,004	2,059	11,404	26,040
Jane	$30,000	$2,500	$250	$3,000	3,083	17,072	38,982
Joe	$40,000	$3,333	$333	$3,996	4,106	22,740	51,924

Figure 3.1 helps to better visualize the difference that can develop in just 10 years. Notice how the differences between the amounts in each person's account grow at a very fast rate. Even when people earn the same interest rate, over time, people who put more into a savings account have the potential to realize a much greater amount than those who put less into the account. The income that one earns from a job or career greatly affects his or her potential to save.

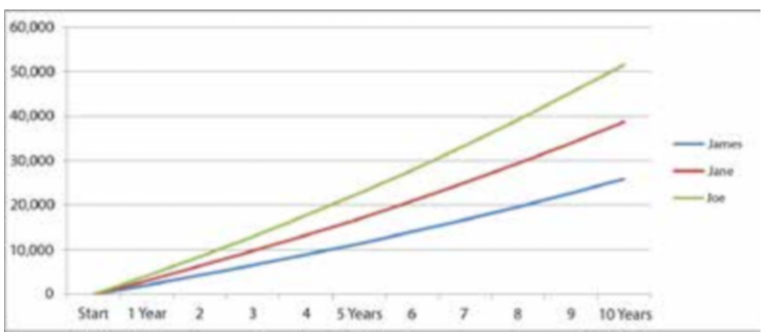

Figure 3.1. Comparison of 10% paid for three individuals who save 10% of each paycheck

Observe that these differences occur over a 10 year period. Imagine how much they expand over 20, 30, and 40 years! While the amount that saved has great long-term growth potential, one needs income to have the resources necessary to put these funds aside for future growth. These resources come from one's income. The job or career to which you consent will affect the amount that you are able to save or invest.

How might this ability to save relate to compassion and control? Remember that everyone has the ability to be compassionate or controlling, as related to the conditions by which their place in life presents. The potential amount that one saves relates to the income earned. The choice relates to one's self-discipline and resistance to spending demands.

The compassionateness of spending and savings decisions relates to both the reasons for making these decisions and their outcomes (immediate and extended). Your job or career represents a choice of compassion or control in terms of (1) the employment relationship that you support and (2) the values indicated by spending and savings decisions.

RENTAL INCOME

A third way of earning income is by renting property. In other words, if you own a piece of land or building, you may ask people to pay you money for the opportunity to use your property for a certain period of time. Perhaps you know someone who may have rented an apartment or house as a place to live for a certain time period.

People who control real estate allow people to use the real estate for a monthly fee or rent. People who rent or lease their real estate may choose to adjust the rent to fit the incomes of the people renting the property.

It is possible to earn rental income by making property available to others and charging them rent to do so. Most often, one may accomplish this process by renting a house or an apartment to others.

How may one rent a property to someone else if one lacks a salary to pay for the property? The answer is that people purchase property with the purpose of earning income from the property. In other words, rather than going to work for a business or school, they have the organizational and construction skills to fix and maintain buildings and rent them to others for a profit.

How does one obtain the money to make this kind of purchase? This is one situation where obtaining a loan might be worth the effort. We will address credit and borrowing of money in a later chapter; however, for now, consider it sufficient to know that a type of loan that banks make is a business loan, where borrowers pay the loan back through income earned from their respective businesses.

Some people own businesses that buy houses with the purpose of fixing them or renting them to others for income. The person approaches the bank with information about the house and a plan for renting the house to someone else. The bank lends the money to the borrower based on an agreed upon plan that loan payments will come from the rental proceeds.

If one has sufficient properties, he or she can generate a lot of cash from all of the rentals. Yet, we will consider the type of job or career associated with this process. Earning money from rentals can involve much manual labor. A person who is in the business of property rental has much repair and maintenance to address.

On the other hand, a person who owns many properties may assume an administrative or managerial position over others who do the physical labor for him or her. This administrative or managerial position may involve much legal and financial paperwork, but not much physical labor. In other words, this position may be much less physically demanding and more financially rewarding than physically performing maintenance and repairs on a lesser number of properties that one owns and rents out to others. As with the jobs and careers described previously, a person who is responsible for managing financial and legal aspects of an organization commands more money than a person involved in physical labor associated with some business.

A COMPASSIONATE APPROACH TO RENTAL INCOME

What does compassionate rental of property involve? Next time you read a newspaper, consider the want ad section and look at the ads for rental properties. Most of the ads include rental rates; the person who owns the property controls the rate based on his or her perception of the amount needed to earn a profit. A compassionate approach to income involves the realization of personal self-worth based on who one is, rather than based on the amount of money or capital controlled. Self-worth involves an appreciation or who you are, whether your financial worth is $5 or $5,000.

A compassionate approach to rental of property would involve a flexible or sliding scale approach to pricing that relates the price per square foot of a property to the amount of income that one earns. For example, if a prospective renter earns $10,000 – $20,000 per year ($ 833–1,667/month) the rental of a 1,000 square foot apartment could be $0.50/square foot or $500/month. The amount of rent would increase with the income of the prospective tenant.

What if the applicant does not have an income? A compassionate approach could provide the space at no charge for a certain amount of time, we will say six months. This compassionate arrangement of supporting community would allow the renter opportunity to experience relief from the challenges that prevent the earning of income and provide an opportunity to live in a community with others who have incomes.

Now we hear your objections. The compassionate approach is not fair! Everyone should experience the same conditions for their housing. The price is based on the cost of materials and labor for making the housing available and the profit that the renter wants to realize.

The conditions described in the preceding paragraph present a controlling environment in which the property owner sets fixed rental rates to influence the economic composition of the property tenants. A compassionate approach recognizes that all people are deserving of quality housing, regardless of their income. A financially integrated housing environment reduces stereotyping associated with classism and provides networking opportunities for those who need incomes to find prospective employment opportunities.

TAXES

The purpose of taxes is to provide money to the government so that the government can provide services to the community. For example, taxes help pay for the police and fire protection that you receive. They also help pay for resources to help keep the roads in your community in good shape and to pay for the schools that educate the children. Everyone contributes to the tax system because everyone is part of the community.

The tax system is both compassionate and controlling. It is compassionate in the sense that the entire local, state, and national communities contribute part of their wealth to support the needs of the whole. It is controlling in the sense that community leaders make the decisions to allocate these resources in a manner that is largely influenced by the business owners (i.e. those experienced in "financial decision-making").

Private businesses care for the community instead of the government, unfortunately, because businesses are designed in the interest of generating profits for their owners. The businesses that are sole caretakers of the community could provide for problematic situations. Some individuals might end up not having access to community resources. Think about all of the public resources provided because of government efforts: schools, roads, parks, transportation, and security. The government provides these resources for education and other community benefits. It also regulates businesses to ensure that businesses provide safe products and services.

Business owners, particularly those associated with large corporations, may not be as concerned with the public good as they are with earning profits. History informs us about how big business has influenced foreign policy decisions of the U.S. government in the past. With the exception of Theodore Roosevelt, very few presidents have demonstrated the ability or will to resist or challenge corporate leaders when making national decisions. Indeed, corporate leaders have influenced many governmental leaders to reduce regulation for public protection in order to maximize their business profits. People and businesses who earn a lot of money have greater potential to influence the making of tax laws.

The nature of compensation in business is such that directors, executive officers and other higher level management represent a small number of the corporate body, but possess control over a very large portion of the business resources. Revisit the example that we provided at the beginning of Chapter 2 in which one group of 20 people received 51,000 dollars and another group of 20 received $3,000 dollars. That is quite a disparity.

A similar disparity exists in distributing resources in corporations and businesses. High ranking officials receive exorbitant amounts and job holders receive a pittance. We find it sad that high ranking officials tout the merits of their earning these positions through hard work when quite often they come to their positions through development in conditions of privilege and exclusivity. Wikinson and Pickett's (2009) associating patterns of social illness with wide wealth disparities between rich and poor prompts one to question the extent to which excesses in control of wealth distort compassionate social vision and the lifestyle needs of those who are disadvantaged by this self-righteousness.

Income taxes are, simply enough, a payment to the government based on the amount of income that one earned in a given tax year. Table 3.8 lists the tax rates associated with earned income for a single person for tax year 2013. These rates are provided by the Internal Revenue Service

Table 3.8. Single tax rates for various amounts of earned income

Maximum Amount of Income	*Tax*
$8,925	10% of taxable income
$36,250	$892.50 plus 15% of the excess over $8,925
$87,850	$4,991.25 plus 25% of the excess over $36,250
$183,250	$17,891.25 plus 28% of the excess over $87,850
$398,350	$44,603.25 plus 33% of the excess over $183,250
$400,000	$115,586.25 plus 35% of the excess over $398,350
More than $400,000	$116,163.75 plus 39.6% of the excess over $400,000

(Source: http://www.irs.gov/pub/irs-drop/rp-13-15.pdf)

Based on this schedule, it would seem that people are taxed at higher rates as they earn more money. The percentages increase as amounts of income increase. We will augment the table with an additional column that lists the percentage of income that represents the minimum tax for each tax bracket.

Even though the minimum percentage is less than the rate for the excess paid over the minimum income amount, the more money that a person earns through work, the higher the percentage of income paid in taxes. In the following discussion, bear in mind that the information presented in Table 3.9 conveys the taxes associated with income earned from various forms of labor. This is different from the tax rates for passive forms of income, which we consider next.

Consider taxes on other forms of income besides labor. Interest, dividends, and capital appreciation (gains) as forms of income earned from different types of investments. Some people have more money to invest and can realize more of these income forms than others. Interest income, which comes from bank accounts, is taxed at the same rate as ordinary income (i.e. income from work). The more interest income you earn, the higher the rate of taxes paid.

Dividends are funds that a business pays to stockholders from profits that it earns. The tax rate on the dividends earned by the stockholder depends on the type of dividends that the stockholder earns. Ordinary dividends (those not determined to be qualifying dividends) are taxed as ordinary income. The more dividend income that one receives, the more taxes that he or she pays.

There are dividends that qualify for a lower tax rate of 0, 15, or 20%. Essentially, if you buy a stock near the time that it pays a dividend and hold onto it for two months or more, it represents a qualifying dividend. We will talk more about this in a later chapter.

Why are some dividends taxed at rates different than other dividends? The rationale relates to the reason for which the stock was purchased. If a person is buying a stock for a short period of time, simply to receive income from the dividend, the dividend is treated as ordinary income. The person intended (by his or her action) to

Table 3.9. Single tax rates for various amounts of income with minimum income percentage

Maximum Income Amount	*Tax*	*Minimum Percentage*
$8,925	10% of taxable income	10%
$36,250	$892.50 plus 15% of the excess over $8,925	10%
$87,850	$4,991.25 plus 25% of the excess over $36,250	13%
$183,250	$17,891.25 plus 28% of the excess over $87,850	20%
$398,350	$44,603.25 plus 33% of the excess over $183,250	24%
$400,000	$115,586.25 plus 35% of the excess over $398,350	29%
More than $400,000	$116,163.75 plus 39.6% of the excess over $400,000	29%

buy the stock for the short-term in order to get an income from the stock payment, not because he or she was interested in a long-term investment.

If a person purchases a stock and holds onto it for a fairly long time and is paid dividends from the stock, the dividends from that stock are considered as extraordinary (investment) income. It is taxed at a lower rate.

If one receives the dividend because he or she bought stock with the intention of using it for income in the short term by selling it fairly quickly, the dividend is ordinary income. If he or she bought the stock and the income is simply a result of that long-term investment, it is labelled as qualifying income for tax purposes. A person who "works" to find a stock that is paying a short-term dividend receives a higher tax rate.

What would a compassionate approach to passive income be like? We established that a compassionate employment relationship involved an agreement in which both parties had a sense of worth that allowed for genuine care towards others. This ideal also undergirds compassionate approaches to income. When considering the sources of potential income from interest, dividends, and capital gains, a potential saver or investor examines the conditions under which these income forms develop. We will discuss these conditions in a later chapter; however, for now, bear in mind that having a compassionate view provides one with the confidence to take time to make informed decisions about the sources of passive income that one receives.

Discussion Questions

1. Imagine that you are a high ranking official of a very profitable corporation that sells its products all across the nation. You have learned that the process by which you make your product releases poisons into the water supply. The government

wants to impose regulations on your business and its process to protect the water. How does your corporation respond?

2. The tax tables above indicate that your tax rate increases as you earn more; however, actively earned income is taxed at a higher rate than income earned passively. Why do you think this situation exists? To what extent does this system reward "hard work?" To what extent does this system represent a system of compassion or anger?

GOVERNMENT INCOME SUPPORT

Imagine that you have lost your job or you cannot work because you have a disability. You don't have much savings, so you're worried about how you will live. The government offers money for people to help them through periods when they are unemployed or experiencing other difficulties.

Now we will think about a form of income that the government pays for those in need. Some people receive income support from government because they have low incomes or qualify in other ways for government assistance. This income support is intended as a short-term form of income until the recipients can learn new job skills and obtain more dependable and permanent income sources.

Social Security is a government program that taxes the income of current workers to provide retirement, disability, and survivor benefits for workers or their dependents. Social security is meant to be a supplement to support other financial resources. Because it is difficult to make a choice to put money aside for the future, the government requires that you pay money into a large pool of funds to support (a) you in your retirement and (b) the retirement of other people who are no longer working today.

There are different types of retirement programs. Social security is a defined benefit plan that defines how you are paid by the length of time you spent working and your contributions to the system.

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FINANCIAL LITERACY BENCHMARKS

4th Grade

Conventional Standards	*Compassionate Standards*
Workers are paid for their labor in different ways such as wages, salaries, or commissions.	Employers pay their workers in different ways, such as wages, salaries, or commissions, based on the nature of their task. Work that is more labor intensive may receive less pay than work that relates to managing people, laws, or money.
Many workers receive employee benefits in addition to their pay.	Large businesses and government organizations may offer employees financial benefits, such as insurance and retirement.
	The extent to which an employer/employee relationship yields mutual benefits relates to the degree to which the relationship involves compassion and control.
People can earn interest income from letting other people borrow their money.	People can earn interest income by letting others borrow their money. Because some people control more money than others, they earn more interest income than others. Some people earn interest income in amounts that are more than some people earn from low income jobs.
People can earn income by renting their property to other people.	People who control real estate allow people to use the real estate for a monthly fee or rent. People who rent or lease their real estate may choose to adjust the rent to fit the incomes of the people renting the property.
People who own a business can earn a profit, which is a source of income.	There are different business structures, some are for profit and some are not for profit.
Entrepreneurs are people who start new businesses. Starting a business is risky for entrepreneurs because they do not know if their new businesses will be successful and earn a profit.	People who have more financial capital can afford to accept greater risks to start a new business than those with less capital.
Income can be received from family or friends as money gifts or as an allowance for which no specified work may be required.	Families who have different amounts of money can afford to give their family and friends different gift and allowance amounts.

(*Continued*)

(Continued)

Conventional Standards	*Compassionate Standards*
Income earned from working and most other sources of income are taxed. The revenue from these taxes is used to pay for government provided goods and services.	People are taxed at different rates, depending on the amount of income earned. Income from financial investments is taxed at lower rates than income earned from labor. People and business who earn a lot of money have more potential to influence the making of tax laws.

8th Grade

Conventional Standards	*Compassionate Standards*
Careers are based on working at jobs in the same occupation or profession for many years. Different careers require different education and training.	Careers are based on working at jobs in the same occupation or profession for many years. Different careers require different education and training, yet all career changes require money to pay training costs.
People make many decisions over a lifetime about their education, jobs, and careers that affect their incomes and job opportunities.	People make many decisions over a lifetime about their education, jobs, and careers that affect their incomes and job opportunities. These choices are influenced by their financial and emotional needs.
Getting more education and learning new job skills can increase a person's human capital and productivity.	Getting more education and learning new job skills can increase a person's human capital and productivity. It also increases marketability to find or create other income opportunities.
People with less education and fewer job skills tend to earn lower incomes than people with more education and greater job skills.	People with less education and fewer job skills tend to earn lower incomes than people with more education and greater job skills. People with more education and skills for higher earning jobs control access to education and professional development opportunities.
Wages/salaries minus payroll deductions equal take-home pay.	Wages/salaries minus payroll deductions equal take-home pay. One's employer generally determines the benefits that are available for payroll deduction.
Investment in education and training generally has a positive rate of return in terms of the income that people earn over a lifetime.	Investment in education and training generally has a positive rate of return in terms of the income that people earn over a lifetime. The return relates to the cost of the education and training, the amount of pay from the career, and the amount of time spent in the career.

(Continued)

Conventional Standards	*Compassionate Standards*
Education, training, and development of job skills have opportunity costs in the form of time, effort, and money.	Education, training, and development of job skills have opportunity costs in the form of time, effort, money, and personal relationships.
People who own a business can earn a profit, which is a source of income.	People who own a business can earn a profit, which is a source of income. They also have a risk of loss which may take away from their financial worth.
Entrepreneurs take the risk of starting a business because they expect to earn profits as their reward, despite the fact that many new businesses can and do fail. Some entrepreneurs gain satisfaction from working for themselves.	Entrepreneurs take the risk of starting a business because they expect to earn profits as their reward and because they want to help the community. Many new businesses can and do fail. The key determinant of a business's success is capital. Some entrepreneurs gain satisfaction from working for themselves.
Interest, dividends, and capital appreciation (gains) are forms of income earned from financial investments.	Interest, dividends, and capital appreciation (gains) are forms of income earned from different types of investments. Some people have more money to put into these investments and can earn more than other people.
Some people receive income support from government because they have low incomes or qualify in other ways for government assistance.	Some people receive income support from government because they have low incomes or qualify in other ways for government assistance. This income support is intended as a short-term form of income until the recipients can learn new job skills and obtain more dependable and permanent income sources.
Social Security is a government program that taxes the income of current workers to provide retirement, disability, and survivor benefits for workers or their dependents.	Social Security is a government program that taxes the income of current workers to provide retirement, disability, and survivor benefits for workers or their dependents. Social security is meant to be a supplement for other financial resources.

ACTIVITIES

Activity 1

The following table presents six combinations of conditions for those who may experience various combinations of wealth and emotions. Complete the six blank cells within the following table, using adjectives to describe your vision of such persons. Note that the matrix has not been previously provided in this chapter, so you will need to think carefully.

	Compassion	*Control*
Affluence		
Middle Class		
Poverty		

Divide the class into six groups and assign each group one cell. For example, one group is affluence compassion; another group is affluence control, etc. Each group will receive one class period to develop a five-minute skit that describes the income earned by people who possess the economic environment and trait indicated by their cell. Part of the class time may be used to conduct background research as needed. After performance of each skit, debrief the experience by using forms of the following questions.

- Why do you think that the people presented in the skits behaved as they did? Resist answers that assign meanings that are based solely on the amounts of money controlled.
- What are the causes for anger that you observe in the skits? To whom or what is the anger directed? What alternative processes could be used to avoid or manage the anger displayed? Reenact the skits by "freezing" at points of anger and discussing alternative courses of behavior. How might the outcomes differ?
- Consider the compassion that the skits displayed. From where does this compassion originate?

Individually or in groups, seek and find an artistic image that displays your feelings about earning income. Describe your image in terms of the patterns of depicted compassion and anger. How do you view the sense of personal self-worth within the individuals in your image? To what do you attribute the basis for that personal self-worth?

Activity 2

Review the list that you developed with regard to your skills and interests (see earlier activity in Chapter 1.) Within groups of three or four persons, perform the following tasks:

- Share your lists with each other and suggest professions that would be suitable for each other, based on the skills that each individual in your group possesses.
- Develop an idea for a group business, employing one skill from each member of the group.

After you have completed both steps 1 and 2, work together as a group to estimate what needs to be accomplished to begin your group business. Consider how each of you may afford/develop/acquire the expertise to complete the work accurately and efficiently. Estimate the cost of labor and materials to make and distribute the product that you might sell. If you offer a professional service, consider the cost of office space and materials.

After estimating the cost of starting your group business, consider the cost and effort needed to become certified or receive licensure for the individual profession or occupation that was suggested for you.

Write a reflection about the processes needed to develop your individual business or train for your individual profession. In your reflection, consider answering the following questions.

- What are the skills necessary to realize fulfillment in each profession?
- To what extent does the development and performance of these skills depend on you or on others?
- What are the difficult choices that you would anticipate making in terms of developing and performing these skills?
- What matters are beyond your control with regard to developing and performing these skills?
- With regard to your choices for skill development and performance, which option provides you with the most opportunity to change your professional direction if you decide?
- To what extent does each option for skill development and performance require you to have a job provided by others?
- To what extent do you view your individual income source as guided by compassion or anger?

Activity 3

Take a few moments to look at the image at the following link, and then answer the questions that follow the link. http://www.worldofstock.com/stock-photos/china-shanxi-datong-french-woman-giving-money/PAD3837

- How would you describe the emotions of each woman in the image? What do you interpret the reasons or bases for these emotions? What are the assumptions of each person in this image?
- How do you think that the woman giving money came into the money that she has? To what extent is the money that she has a matter of choice or environment?

- How would you describe the sense of financial worth in each person? The sense of personal self-worth in each person?
- If you could ask a question of the woman receiving the money, what would it be? Select two people in class to reenact the activity, freezing the activity at the point of the picture. Ask your question to the woman who is begging.

Use some old magazines or the internet to locate a photograph that depicts interactions between individuals who have large incomes and those who have small or no incomes. Compare your photographs within groups and discuss the patterns of interaction and emotions that you observe.

CHAPTER 4

PLANNING AND MONEY MANAGEMENT

Return to the scenario of the 100 people that received distribution of 100,000 dollars. Each person needs to decide what to do with his or her money until the next distribution arrives. What choices does he or she need to make?

The answer relates to how one answers several questions: What are his or her needs? How much did he or she have before? When will the next distribution arrive? What amount will that distribution be? Can he or she expect the next distribution to occur regularly? In previous chapters we presented the image of a sink to depict processes associated with personal finance from a conventional perspective. In this view, money management simply involves the extent to which one controls whether the outflow (drainage) in relationship to the inflow. In other words, money management represents the process of control. One makes choices that shape the amount of water that flows in to and out from the sink.

A compassionate approach views this process differently, recognizing that inflows and outflows occur within a larger system in which some inherit larger sinks and some inherit smaller sinks. One does not choose the type of sink that he or she inherits in life. Some mathematical information about the mechanics of various expense categories has little relevance to a critically compassionate sense of financial literacy. Developing a personal self-worth such that one may resist the temptation to enter into processes of financial manipulation and control has more importance. Note that the questions in the above paragraph relate to the sources of money and its disbursement. How may these questions differ from those that concern a compassionate view of self-worth?

Consider your personal self-worth. To what extent do you value yourself for who you are? The answer will, of course, relate to the nature of the environment in which you developed. If you were in an environment in which people cared for you and built your trust and treated you with kindness, then you probably have a sense of yourself such that you can regulate yourself and conduct your life without others' support. You learned to trust others, yet have the respect to say no to others who could potentially harm you. You have a vision of compassion in which you manage anger such that it protects you from harm, but is not a weapon towards others.

If you were in an environment in which people said negative things to you and laughed it off or perhaps they picked on, bullied, and teased or taunted you to stand up for yourself, you learned to not trust others. You understood trust as something to be earned. Another possibility was that you trusted others who could similarly act tough and stood up for themselves. You have a vision of anger that relates to a want to control. You view compassion as a mechanism for controlling others.

A healthy environment relates to a positive sense of personal self-worth based on compassion for oneself, independent of one's control of material wealth. When one experiences a genuine sense of compassion and ease for oneself, he or she experiences no or little sense of need to control others or things. LeDoux's (2002) and Panksepp and Biven's works (2012) disclosed that patterns of cognition contain affective roots. When compassionate, one's motivations become rooted in care and stewardship, experiencing receptivity to the needs of others who may be victims of less compassionate fates. When one is angry, patterns of argument relate to selfishness and control. Whether decisions occur in impulsive or deliberate fashions, emotions guide the patterns of decisions. The clusters of emotions that guide these decisions relate to the environments that condition one's impulses during childhood, adolescence, and early adulthood (Narvaez & Gleason, 2013).

Thus, the compassionate standard that undergirds money management states that emotions affect one's financial experiences and money management decisions. Emotional patterns and a sense of personal self-worth affect one's financial experiences and money management decisions. The goal is to examine the social integrity of one's financial sources and uses and to respect one's community. People try to satisfy such wants by consuming a good, a service, or a leisure activity.

Economic wants are desires that cannot be completely satisfied. People try to satisfy such wants by consuming a good, a service, or a leisure activity. Goods and services cannot bring lasting personal fulfillment. Personal fulfillment comes from a strong sense of inner personal self-worth.

Consider that last time that you purchased a cell-phone, a piece of clothing, or a car. At the time of initial purchase, you may have experienced a sense of excitement with the new item and the benefits associated with its features. With time, your appreciation for the purchase diminished. It lost its novelty; it could not change or reinvent itself. You needed to replace the item when it could no longer provide the usefulness that you sought.

In the same way, people with low senses of self–worth pursue things as means towards fulfilling themselves. A strong sense of personal self-worth does not depend on other people. Why? Because such dependency treats other people as objects for one's security, rather than viewing them as individuals in their own rights. People viewed as objects for one's personal gain are also perceived as losing their usefulness with time. Thus, oftentimes, people who are dismissed from employment, or perhaps, people who get divorced, or even in the worst situation, people sold into systems of human trafficking represent victims of social relationships where, in some manner, one party perceives the other as property as providing no contribution to the perception of his or her personal self-worth.

On the other hand, various forms of mental illness that cause unhealthy/controlling relationships occur in society. We do not condone these manipulations and harm that may occur in such relationships as these. Yet we do suggest that a compassionate approach involves exploring the truths with each other, the stories that define the partners in the situation, how the interaction fits into their life stories, and how the future will inform the stories of the relationships of those concerned.

This principle represents a very important tenet. When one experiences a caring sense of personal self-worth that does not rely on objects, one's relationship with others may assume a posture of stewardship. Associations with objects founded on care and compassion occur through acceptance and trust of safe processes that we cannot control. One accepts responsibility for his or her actions and does not ignore problems or assign blame to others. When one has a sense of diminished worth, one may seek goods or services as tools to help him or her feel better about him or herself.

People make a basic choice that concerns the extent to which they will use their financial resources to control or to care. Controlling requires financial resources to buy things to possess. Caring employs financial resources in manners that contribute to the development of personal worth in self and others.

As a matter of clarification, this is not to say that people who control vast amounts of resources have poor images of themselves. Nor is it to say the people who are in poverty have great images of themselves. The point of the discussion is that a positive sense of oneself that is based on care and compassion does not depend on material objects or people for that awareness. It involves a sense of trust founded on associations with people and environments that are safe and mutually respectful.

MONEY MANAGEMENT AND FINANCIAL WORTH

Consider money management as it relates to determination of financial worth. Think about the expandable sink image. You open the faucet (income) and have water (cash/money) flowing out. Yet you also have an adjustable drain at the bottom of this sink. You can control this drain and determine how fast or slow the water empties the sink. If you spend the same amount of money as you have income, the water flow and drainage occur at the same rate; the water (cash) level remains constant. If you open the drain and spend more, the water (cash) level drops. If you close the drain and spend less, the water (cash) level rises.

Sounds simple? It is! How does one increase his or her financial worth? He or she spends less than he or she earns! One accumulates financial wealth by reducing one's spending and retaining more money.

Personal self-worth does not necessarily pursue increases in financial holdings. The focus relates to inner calm and the realization that amounts of money do not affect one's personal self-worth. People spend a portion of their income on goods and services; however, these items only bring temporary satisfaction. Personal self-worth or happiness comes from self-compassion. So, how does a person with personal self-worth manage his or her money?

When concerned with personal self-worth, the focus on money management relates to people rather to money. In other words, while having sufficient funds to meet one's basic needs has importance, one recognizes that obsession with wealth may distract from safe relationships with others, such that they respect others for who they are, rather than objects for one's satisfaction.

This focus on safe financial relationships occurs in two modes. First, it concerns the consumption of goods and services in safe manners that respect others. In other words it relates to the purchase of goods and services with the welfare of others in mind. Second, it concerns the creation of goods and performance of services with this welfare in mind as well. In other words, as you have a sense of personal self-worth that does not depend on controlling money, things and other people, so too, should you treat others in ways that develop their sense of personal self-worth in a manner that does not depend on the control of money, things, and others.

Whenever people buy something, they incur a social opportunity cost. Social opportunity cost is the value of a social alternative that is given up when a person makes a choice. This perspective represents a different manner of thinking about money from what one may be accustomed. It is not about earning a lot and spending a little. In fact, this perspective seems difficult and quite inconvenient. It is inconvenient, and this represents a basic rule of any financial plan considered.

Consider this idea of social opportunity cost more closely. Imagine that one makes the decision to purchase a new cell phone for $250. The spending represents lost opportunity to support those people who are less socially fortunate. Consider those in social need and the things that the $250 could provide for those individuals. A compassionate sense of personal self-worth involves realizing that the cell phone does not change who you are. Nor does what other people think of your cell phone. Second, consider that the beneficiary of your $250 gift of compassion may experience a basic gift of food, shelter, or clothing that contributed to the person's sense of personal self-worth.

If you are thinking that those less socially fortunate should develop a sense of personal self-worth such that does not depend on external objects (such as charity), that is an appropriate thought. At the same time, you could pursue compassionate thinking such that you recognize the social conditions that cause the misfortune and the necessity of charity to help the transition to a state of self-appreciation.

The rule of convenience says that, when it comes to money and personal self-worth, there is a price for taking the easy road or cutting corners. Think about this concept with regard to your school work. Doesn't it make sense that the more you study the better grades you earn? If you develop the discipline to study your class or course notes from day one and prepare a little each day, the final exam is not too challenging. You take the time and pay a little bit through the process. The price of weak grades goes to those who do not study and learn the details of the items they were supposed to learn.

The same situation applies to personal finance. When we spend our money in a "convenient" way, it involves costs that are not fully disclosed. For example, people do not always eat the proper foods, such as fruits and vegetables. They may take vitamin supplements to compensate. The vitamins are convenience items that have the vitamins and minerals the food have. Why is this situation a problem? Because vitamins do not have the physical properties of the healthy foods and which are necessary for preventing other health problems. Vitamins are convenience items. Buying vitamins provides some of the benefits associated with healthy foods, but not all of them.

We will extend this idea of convenience items to various forms of recreational substances and devices. Often times, people pursue these objects as tools for temporary relief from the challenges and stresses associated with their daily lives. These items represent convenience items that provide temporary escapes from the social difficulties experienced.

As with all convenience items, these substances and devices come with consequences that users do not fully consider. The first involves the long- and short-term health difficulties that they invite: for example, liver disease from alcohol, along with brain trauma and disease which are also associated with drug and technology use.

The second consequence relates to the addictive properties of these items that cause users to focus their lives around access to these items. Thus, the presence of alcohol motivates a person's presence at an event. The purchase of drugs satisfies a user's craving. The pursuit of technology satisfies the craving for electronic brain stimulation. All of these cravings relate to forms of psychological trauma to which the mind and brain have been accustomed.

The third relates to the economic and psychological control that the providers of these recreational items exercise over their users. The suppliers of these items characterize these tools as fun, exciting, powerful, and cool vehicles for recreation, when in reality they involve unsafe products that represent tools for social control. The messages promoted by these products involve a good life accomplished through use of these items, rather than a good life based on respect for who you are.

Revisit the idea of personal self-worth. Consider personal self-worth from a perspective of valuing yourself for being you. What are the conditions that reinforce that sense? Think carefully about the answer to this question. In a calm quiet moment, consider the things in your life that affirm and care for you without asking for anything in return. When one structures his or her life to focus on those people or conditions that reinforce on those things, one realizes quite a bit. It becomes inconvenient, requiring a change in routine or lifestyle and pursues relationships with other people or groups.

Consider why people have money management troubles. The answer involves several elements. First one's sense of personal self-worth contributes to his or her sense of compassion. If one possesses a sense of personal self-worth based on anger, he or she pursues people and things to control in order to attain fulfillment. Financial troubles often occur because people spend money on things that foster or facilitate this control. For example, obsessions with clothing occur because a person pursues different styles of attire to provide him or herself different ways to make him or herself interesting to people. Of course, the type of clothing selected influences personalities of those that one attracts. Yet, when one has a compassionate sense of personal self-worth, one does not worry about how others view personal appearances.

Second, people manage different amounts of money because they receive different amounts of income, either earned or unearned. If one has more money, the risk associated with a large expense has less of a consequence than if one has little money. Finally, financial difficulties arise simply from misfortune. For example, a company reduces its workforce or a person receives a diagnosis of a significant medical condition that requires expensive care. Financial difficulties may arise from a combination of choices and conditions. Practicing money management that supports personal self-worth development pursues financial habits founded on compassion for oneself through trust founded upon honesty and care.

Imagine that you have difficulty saying “no” to convenience items. Convenience items consist of things that you purchase to make your life easier, for example, automatic coffee makers and microwave ovens are technological items to make cooking more convenient. You take the easy road and purchase goods and services to make your life easier. What’s the cost? The cost is the price of convenience on your bank accounts and on your relationships with other people. It works if you have vast pools of reserves to support this lifestyle; however, if your reserves are meager, this lifestyle may bring about sizeable financial debts.

Similarly, a lifestyle of convenience costs your personal self-worth. For example, the long-term costs of eating convenience foods that have been mechanically processed and infused with chemical preservatives include exposure to various sorts of disease and cancers. A habit of purchasing goods and services through the use of online processes generates a social risk from the avoidance of healthy communications with other people.

Another example would be helpful. We will say that Jim and John eat out one night to watch the big professional game on the television. Each spends $50 on food and drink. Jim has an income of $2,000 per month and a reserve of $600. John has an income of $500 per month and a reserve of $100. The night out has a stronger financial consequence for John because he has fewer resources to support it.

What consequence or risk to personal self-worth may result from this night out? The possibilities are numerous, for example: a fascination with professional sports, a habit of frequenting the eating establishment, and/or an encounter with someone that fosters relationship. These items “market” themselves as improving your life. What is the catch of the convenience? You do not need these items to improve your personal self-worth. You experience an inner sense of personal self-worth that does not depend on these things. The other items don’t affect that.

Was the night out a convenience item? YES! Most certainly! Eating out is the convenience of having someone else prepare food and drink for you while you spend time socializing with other people. The financial cost of paying for dinner is more than buying all of the ingredients for food at the grocery store and preparing the food at home. Eating out costs more than does eating at home because of the convenience of having someone else prepare your food or drink.

Okay. That was the warm-up question. Here is the situation that will determine if you really know the concept. We will say that you host the party for the big game at your home and you decide to have food delivered from the local fast food restaurant for your event. Is it a convenience expense or not?

This one is a bit trickier. It is understandable if you said "No" it is a very tempting choice. Because you stay at home it seems that you've lost the convenience aspect. But "No" is actually the convenient response. It was the easy one to take.

The financial convenience of eating out relates to the food preparation. If you party at home and you pay someone else to prepare the food, the situation still represents a convenience in terms of food preparation. If you said "Yes" and stuck to your principles, you did well. Convenience is a tricky thing.

Convenience is a very important concept as it relates to money management. There is always a price for convenience, even if you may not see it at the time. This price relates to financial and personal decisions. Take the time to think about all the consequences of your money management choices. Very wise people know that you do things faster by doing things slower.

Convenience also adversely affects personal self-worth. Pursuing objects for fulfillment represents an exercise in convenience. It takes time to build one's personal self-worth. In time, it pays social dividends.

Discussion Questions

1. When the last time that you made a financial decision that was convenient? What were the benefits and costs of that decision? Answer the preceding questions for personal decisions.
2. Sometimes you may hear someone say that she or he will do something when it is convenient. When is an example where someone may have said this to you? What was the cost of the decision?
3. When you shop, some items at the stores are referred to as convenience items. What is meant by this term? What is the cost of purchasing these items?
4. What does it mean when something is inconvenient? What was the last action that you took that was financially inconvenient? What benefits did you realize from making the effort to complete that task? Answer the immediately preceding two questions in regards to personal inconveniences.
5. Consider forms of income that may result from convenience. What might these be and what might be their costs?

OPPORTUNITY COST

When acting out of convenience, you pursue a process that is easier than that which would involve more effort or take more time. For example, when you stop at a gas station and buy a gallon of milk, you are paying a price for the opportunity to buy that milk while you are at that location. In general, the milk at the grocery store costs less; however, it is more convenient to get the milk at the gas station while you are purchasing gas for your car.

The price of convenience relates to the concept of opportunity cost. Whenever people buy something, they incur an opportunity cost. Opportunity cost is the value of the next best alternative that is given up when a person makes a choice. For example, you have a choice between doing your homework and playing on the Internet. You choose to complete the homework because it helps to reinforce your learning of the concepts taught in class. The opportunity cost is the information that you share on the Internet.

Imagine that you have a choice between putting money into a savings account and purchasing a new laptop. The opportunity cost of putting money into savings is the value of the laptop. Yet the opportunity cost involves a little more. The dull and boring savings account pays you interest after six months. The flashy and exciting laptop loses value after six months as new technology reduces its value.

Relate this idea to personal self-worth. What glitzy items might you give up to focus on conditions that improve your personal self-worth?

BUDGETS, SPENDING PLANS, NEEDS, AND WANTS

Of what do you think when you hear the word "budget"? It often appears in the media in association with governments and businesses. We often hear of something being within budget or out of budget. What does this mean?

A budget is a plan for using resources. It organizes ideas for spending, sharing, and setting resources aside for future expenses. People perform basic financial tasks to manage money. These tasks differ based on people's attitudes and living conditions.

We will think of this in terms of a government, such as your local community, state, or at the federal level. Each of these units uses a budget to estimate its flow of money each yet. Income generally comes from expected tax revenues. Based on these revenues the entity plans its allocation of funds to the community. The budget is how the government entity projects or plans its finances for a particular unit of time. If the government experiences a combination of greater than expected tax income or lesser than expected expenses, it will be within budget. A combination of less than expected tax income or greater than expected experiences will prompt it to fall out of budget.

You have a budget that relates to your finances as well. Your budget represents the extent to which you control your income and expenses. If you have a steady income and are paid the same amount each month, your budget may be limited to interpreting your expenses. You are concerned with your spending plan. A spending plan is a plan for organizing and controlling your spending. A budget identifies expected income and expenses, including saving, and serves as a guide to help people live within their income.

A budget or spending plan is usually a written, typed, or digitalized spreadsheet that provides the organization or person with a visual understanding of the money received and the expenses paid. Creating a plan takes time to think about and develop. Spending plans differ by individuals' wants and needs.

You are probably familiar with the concepts of needs and wants, but we will review for clarity. You want to skip over this, but you need to be refreshed in your memory. Try not to feel bad about the inconvenience.

The sample budget, below, belongs to S. P. Ender, a budding young professional who is discovering how to network and establish a place in the community. Note that Ender planned for a surplus of $90, but ended up with a surplus of only $18. Take a few moments and look through the actual expenses that Ender incurred and compare them with the plan. What are some ways that S. P. Ender might reduce expenses?

Table 4.1. Sample monthly budget

Item	*Planned*	*Actual*
Net Pay	$3,000	$3,000
Savings and Credit Cards	300	300
Housing	$1,000	$1,000
Electricity	$50	$52
Water	$35	$30
Phone (Landline and Cell)	$75	$75
Groceries	$400	$400
Car Note and Maintenance	$450	$475
Entertainment	$300	$350
Healthcare	$300	$300
Surplus or Deficit	$90	$18

A need is something that you absolutely have to have. Think in terms of air, food, water, and shelter. These are the basic necessities that any person requires to live and survive. Really! That's all you truly need. Now you may start to complain that life would be boring with only these items. You need your coffee! You need your television show! You need your MP3 player! Life would be so inconvenient without them.

Here is the key idea about needs. If you seriously think about the item that you say you need, ask yourself if its absence would be an inconvenience. More often than not, the items we say we need are convenience items. They are not essential to living. They can be substituted with something different.

A want is something that you desire, but it is not absolutely necessary. It may be something that you desire; however, it is not essential to living. You say that there are many things that are essential to living. There are things that make life happier, tastier, and faster.

We reply to your claim that they are not needs. They are not basic items.

Think about our earlier discussions about worth, anger, and compassion. Consider your sense of worth and its basis. To what extent is it based on who you are? To what extent does it involve items that claim to make your life a better one? If your sense of worth is based being secure with who you are, you recognize that money and items do not change who you are. They may shape how others think of you.

You might argue that you feel good about who you are. You state that you want to control things so that others may be helped by your expertise and knowledge. First, we applaud you for your confidence in your ability to help others. The question to ask is whether a planet that has a population of over 7 billion (as of January 31, 2015 at http://www.census.gov/popclock/) offers enough people from different backgrounds and contexts to help inform you about the nature of the assistance needed and the ways it can be applied.

In other words, your desire to control may obscure the value of ideas and suggestions from others who might enhance your ideas or show you a different way of approaching the problem that you are attempting to solve. People make basic choices that concern the extent to which they will use their financial resources to control or to care. Controlling requires financial resources to buy things that they want. Caring requires financial resources to give what others need. People's choices with regards to goods and services are affected by their sense of worth and by their access to financial resources.

People's choices may also be influenced by the messages of people who want to sell them goods and services. These influences shape understandings of needs and wants. People design messages that attempt to sell goods and services so that they change consumer thinking about needs and wants. They intend for their attempts to sell to change consumer perceptions of wants into needs. When you buy items because of someone has changed your perception of an item from a want to a need, that person has exercised power over your views of needs and wants. Personal self-worth or happiness comes from self-awareness.

Discussion Questions

1. Take a few moments, individually, to list your sources of monthly income and that places that you spend your money. Perhaps looking at your checkbook register or credit card statements might be helpful. Organize your expenses into needs and wants. As a class, share your ideas about needs and wants. What expenses do you agree are needs or wants? What expenses do you disagree upon? What are the reasons for your disagreements?
2. Your process of listing income and expenses represents the first step of organizing a budget or spending plan. How much time did it take to go through this process? What did you learn about your financial choices? How many decisions do you make out of convenience that cost you money?
3. How much time do you spend contributing to the personal self-worth of others? Think in terms of feeding people who are hungry or helping to build a home for

those needing shelter. To what extent is this inconvenient for you? What are the costs and benefits of such pursuits?

INCOME AND EXPENSES

We now offer a bit more information about budgets and spending plans. When considering these money management tools, there tends to be an emphasis on the expenses and spending components. A stable income source undergirds these expenses. We previously considered income in another chapter; however, we caution you to take care and not be complacent about income. In other words, although your job or career may not be in jeopardy different events may occur that may affect the net pay that you receive. For example, the government may increase the amounts it withholds for various taxes. Premiums for your insurance benefits may increase or you may be offered an opportunity to participate in a retirement or profit-sharing program.

A compassionate approach to financial literacy realizes that patterns of flux exist within social systems such that sources of income lack permanence. The constant that you can depend on is you. Only you can affirm your sense of personal self-worth in a compassionate manner. If you experience a setting that does not, consider seeking one that does.

We will provide a quick word about taxes. People are required to pay taxes, for which they receive government services. People pay different percentages of their money taxes, as related to the forms and amounts of money that they control. In a previous chapter, we considered taxes based on the amounts of income that one receives.

Taxes come in different forms for which your budget may need to account. For example, taxes associated with real estate holdings, such as your house, can be sizable and may necessitate your monthly provision of monies for a reserve of funds to access when the taxes come due.

Your budget or spending plan depends on the amount of income received during that planning period. If the income changes, you have three options: (1) consider your income source, (2) amend your spending habits, (3) use money from savings to pay for your expenses, and (4) borrow money from other sources to pay for your expenses. We will cover credit and savings in future chapters; however, for now, keep in mind that amending your spending habits represents the strongest option for adjusting to a change in income. Having a compassionate view of yourself means that you have the ability to resist the demands on your money from those who wish to exert financial control of your life. The cost of debts associated with your spending can become a challenge to overcome very quickly and the loss of investment and savings income has adverse long-term consequences.

Many other factors influence people's spending choices. Having a strong sense of personal self-worth can reduce the influences of various factors on spending decisions. By conducting background checks to verify the accuracy of information about a good or service, a consumer can better assess the usefulness of the information and the trustworthiness of its provider.

How do you reduce your expenses? Remember that importance of differentiating between needs and wants. Consider ranking your expenses in terms of priority. Certainly the most important expenses are your home and related utilities. You pay these bills on time or lose the right to stay in your home. If you own a home and cannot afford the payments, you might attempt to refinance. If that's not an option, you could sell the house and find living arrangements that are more affordable.

Remember the basis for your worth. If your worth depends on things, the things control your decisions. When your income decreases, the spending choices that you make define the basis for your worth.

FORMS OF PAYMENT

People use different tools to pay for goods and services. Choices among various tools relate to people's economic environments. We will consider forms of payment. People use different tools to pay for goods and services. The available tools relate to people's social and economic environments. Imagine that you go to the grocery store and need to purchase some milk and bread. How might you pay for your purchase?

The first method is cash. It is easily recognized and readily accepted. What is the risk? If stolen, it's not generally traceable. In other words, the dollar bills and coins that you have in your temporary care do not have information on them to identify their owner or trace their history.

Another form of payment is by check. A check is essentially a sheet of paper given to a business that permits the business to take that money from your bank account. The business takes the check to the bank and receives credit for the amount of payment. The bank then either transfers money from your account (if you have an account at that bank) or sends the check to the bank holding your account and asks for payment from that institution.

There are at least four advantages to writing a check: (1) You do not have to worry about carrying cumbersome cash that might be stolen and spent, (2) you have a record of where you spend your money in your check register, and (3) you may realize the benefit of what you purchased before your money leaves the account. There are at least three disadvantages: (1) It takes time at the store checkout, (2) It requires careful monitoring of your account to ensure that you don't write checks for more money than you have, (3) checks can be stolen and forged.

Another form of payment is a debit card. A debit card is essentially a reusable electronic check. You slide the card into the machine, which sends an electronic message to the bank to take the specified money out of your account and send it to the business. What is the advantage of the debit card? You don't worry about having to carry cash, (2) you don't need to carry checks, and it saves time from writing a check. The disadvantages to a debit card are that (1) you need to carefully monitor your account to ensure you don't spend more than you own (2) thievery of identity information from debit cards has become very sophisticated.

Another form of payment is the credit card. Use of a credit card extends to you a short term credit with the bank that issued the card. The money does not come from your account; it is a loan for which the bank charges interest if not repaid within 30 days. The advantage of the credit card are that (1) you don't worry about having to carry cash, (2) you don't need to carry checks, (3) it saves time from writing a check, and (4) you are using the bank's money instead of your own. There are the disadvantages of a credit card: (1) You need to be careful with your spending and not spend more than you can pay; (3) credit cards charge very high interest rates; (4) the bank has the right to call for payment of your credit card balance at any time, and (5) thievery of identity information from credit cards has become very sophisticated.

Finally, a last form of payment involves transactions through electronic devices such as one's computer or cell phone. This payment method may be used for different types of transactions.

At least two types of online payments may occur. The first is either through the use of one's credit or debit card to purchase goods (e.g., clothes) or services (airplane travel). The process for interaction with one's financial institution is the same as when the debit or credit card is used in the physical presence of the merchant. This transaction type differs in that the purchase occurs when your computer transmits your intent to purchase to the computer operated by the merchant.

The second type involves a direct transfer of funds from the user's bank account to the seller for payment of bills. This occurs when one gives the seller permission to access the bank account for purposes of paying the expense. For example, the utility company may reduce your checking account for the amount of payment associated with your use of electricity or gas.

The advantage of online payments lies with their convenience. Given online access, one may very easily purchase items or pay their bills. The disadvantage lies in the financial cost of purchasing the technology and communications software to access the service. Another risk lies in the possibility that sensitive information may be stolen, leading to the unauthorized use of personal and financial information.

We will think about the different forms of payment and consider their risks and how they may present money management challenges. The credit card is the first payment tool. Imagine that you have little income or cash of your own and you receive a credit card. The bank will give you money for your purchase and you will pay it back later. Is this a convenient way to get what you want? It is! Is it in your best financial interest if you cannot pay the money back? No, it isn't. Why? Because you need future income to pay the loan back. The bank is controlling your purchases. The convenience of the tool that you use for spending has a cost associated with it. The cost of the credit card is the potential control that you lose over your future spending.

Debit cards and checks are tools to give the merchant payment from your account. The convenience involves not having to carry cash. These tools require you to keep very good records of spending to prevent overspending of your account. They also require maintenance of a deposit account. This may seem like a rather obvious need; however, consider that there nearly three of 10 people in the United States that either do not have a financial relationship with a bank or do not have sufficient banking relationships (Federal Deposit Insurance Corporation, 2013).

Informed decision making requires comparing the costs and benefits of alternatives. The costs are things that can hurt or harm the decision maker. Benefits are things that can help a decision maker. An accurate comparison requires access to and critical understanding of information. Determining the proper form of payment relates to your personal needs. Having an account at a depository institution provides you with a safe place to keep your money that offers different tools for its access.

Payment methods involve different costs and benefits. The economic context of the consumer shapes his or her access to various payment methods. Choosing a payment method relates to the availability of options to the consumer and those offered by the seller of the goods or services.

Table 4.2. Summary of payment forms

Payment Form	*Benefits and Rewards*	*Costs and Risks*
Cash	Convenient and Recognizable	Safety Easily stolen Untraceable
Check	Money is safe with a depository institution Not concerned about carrying cash Traceable Delayed account	Inconvenient Monitor Account Risk of Theft
Debit Card	Money is safe with a depository institution Not concerned about carrying cash Traceable	Monitor account Risk of identity theft
Credit Card	Convenient Temporary use of bank money	Need to repay bank Possible high interest rate Future liability to bank Risk of identity theft
Online	Convenient	Monitor account Risk of Identity Theft

A final form of compensation often occurs in low income communities. When people receive a service, such as medical care, for which they do not have money to pay, they may provide the professional with a service, such as a cooked meal for the kindness of the services rendered and the forgiveness of financial obligation.

THE BIG PICTURE

We will pull back and look at the big picture of money management. You make very important decisions with regard to your spending choices. Rather than providing hard and fast rules for money management (remember that we do things slower), we will consider some possibilities for how your financial choices affect your financial worth.

Return to the expandable sink. We are managing the inflow and outflow of cash. We have met our basic needs of air, food, water, and shelter. What about planning for the future? For example, you experience a pay-cut at work or a medical emergency or you want to purchase a car for more convenient transportation. You need money to handle that situation.

Your sink relates to the place that you inherited within the system. The first step is to build your sense of personal self-worth on a foundation of compassion for who you are. Second, reevaluate your income sources and the extent to which they originate from sources that value the story of who you are. Third, study your budget and consider whether your money use reinforces the sense of compassion for who you are the extent to which purchased items nourish that sense of personal self-worth.

There are three possible sources of financial protection. (1) You can pay someone in advance to accept the risk of the situation (insurance for a financial emergency), (2) you can obtain the money from another source, or (3) you can use your own money. What are the consequences? Each choice involves a cost. However, for now realize that you can pay money to large companies who will accept the financial risk that you may expect to experience. Remember interest income from the previous chapter? Borrowed money involves interest expense, interest income for someone else, which represents another drain on your cash flow!

The last option involves putting money aside in a separate pool for emergency use. It is your reserve of funds in the event that your current funds are insufficient. Why would you do this? It is inconvenient! It prevents you from buying things that you want to have now. What is the cost of the convenience for not doing so? You need to consider several costs: (1) loss of interest income, (2) loss of available money for future use, and (3) lack of control over financial decisions. Items (1) and (2) might be clear to you; however, consider Item 3 more deeply. When you owe people money, it requires that you apportion part of the money that you earn towards repayment of that debt. In other words, that debt controls a portion of your budget.

We note that item (3) may seem to contradict a theme within this text, that being the emphasis on compassionate approaches that release controlling tendencies. At the same time, consider that both compassion and control represent essential aspects of who we are.

We will presume that you are already in debt. What's the money management solution? First of all, there are some forms of debt that may be considered healthy for your financial worth. We will consider those in a later chapter. For now, as far as your spending plan is concerned, cut back on your spending wants, seek additional income sources, and pay the debt as soon as you can. Putting money aside for the future is inconvenient; however, it has many long-term benefits.

SPENDING CHOICES

As you develop your spending plan, you will need to make informed decisions by comparing the costs, benefits, and social effects of spending alternatives. An accurate comparison requires access to and critical understanding of information. The costs are things that can hurt or harm the decision maker. Benefits are things that can help a decision maker.

We will provide an example. Consider the purchase of a car, which offers travel benefits such as speed, range, and comfort. There is also the benefit of prestige: the type of car that you drive shapes the ways that others perceive you. What are the costs associated with the purchase? Aside from the acquisition costs, there are expenses having to do with fuel, maintenance, and insurance, as well as other use expenses, such as parking. Yet there are also long-term costs related to health and the environment that you may not realize if you do not consider the larger view. In terms of health, the car requires little physical activity for operation. Drivers' training relates to matters associated with law, perception, and judgment. Concerning the environment, automobiles are a significant form of air pollution as their exhaust contributes to rapid global climate change. Car exhaust also diminishes the air quality in urban centers where large populations release immense amounts of air pollutants into the atmosphere. Newer cars, though more efficient in their fuel consumption, still contribute to this environmental threat.

If after this analysis, you still want a car, you need to choose the proper type of car to fit your lifestyle needs and your budget. If you do not want a car, there are alternatives forms of transportation to a car. A bicycle offers a non-polluting form of transportation; however, it lacks the range and comfort as a car. Public transportation exists; however, the process may pose inconveniences in terms of time, routes, and fares.

Comparison shopping represents a prudent strategy for making purchases that have long term consequences, such as purchasing a car (which will last from 5–10 years) or a home (which will last a lifetime). It also presents an important strategy when considering smaller consumer purchases, those that will last a short period (such as the brand of cereal). These comparisons also relate to whether or not you decide to make a purchase. Saying "No" to a health club membership may save you money and afford you opportunities to meet neighbors by taking walks or jogs in the community.

An advertisement or commercial is an effort to convince you that something you want represents a need. So, you are convinced to think of that health club membership as a need to be healthy. You are pushed to consider that drink as a need for having a fun experience. You are motivated to view that car as making you appealing. You are persuaded to view that breakfast cereal as making your life more magical. When we take away the sensationalism of the claims that many advertisements make, we find the products to be ordinary objects.

Think about this in terms of "the big game" that you might see on television. How many times has a game been promoted as a critical match-up, as having major implication, or making a key statement? These labels or statements simply represent devices to prompt your interest in the contest. The contest is the contest, regardless of who participates in it, broadcasts it, sponsors it, or attends it.

When you attend an event that is televised, the effect is much different. You don't hear the broadcasters and you don't see the commercials. Your enthusiasm genuinely relates to the experience, not contrived by someone putting on an act to gain attention. At the same time, there are items for sale that could cost less if purchased somewhere else. For example, hot dogs sold individually for high prices at an entertainment event may be sold in a package at the store for a fraction of the price.

People's spending choices are influenced by prices as well as many other factors. Having a strong sense of personal self-worth can reduce the influences of various factors on spending decisions. Spending is planned or unplanned. Planning for spending can help people make informed choices and prepare for unexpected situations.

Making comparisons or planning comparisons before one buys represents an important part of money management. At the same time, lower prices should not be the only basis for comparison. Stores may create lower prices through the sale of lower quality products and through the low payment of workers and suppliers for their goods and services. Your choice to purchase a low-priced good may generate a financial benefit that results from mistreatment of another. This mistreatment occurs because the store from which you purchased the item uses the other as an object or tool to increase your financial privileges. Consider this relationship in terms of your employment. To what extent are you an object for your employer's financial benefit? To what extent does your employer value you for who you are?

Prices as well as many other factors, including advertising, affect the spending choices of others, and peer pressure influence people's spending choices. Having a strong sense of personal self-worth can reduces the influences of various factors on spending decisions.

Consider a series of steps for comparison shopping. The first step is to answer a simple question: Do we need the product or service? If you answer that question as 'Yes', then comparisons of product options are next step.

When comparing products, price is an obvious basis for comparison as is product or service quality. Yet the other bases for interpreting products are much less obvious and require much more research to find information.

When making choices about their purchases, consumers may choose to gather information from a variety of sources. The quality and usefulness of information provided can vary greatly from source to source. By developing a critical view of information sources, consumers can better choose goods and services from caring and compassionate providers. Many sources provide valuable information and many provide information that is deliberately misleading. By conducting background checks to verify the accuracy of information about a good or service, a consumer can better assess the usefulness of the information and the trustworthiness of its provider.

The purchase of a product helps the product's manufacture to support its operations and achieve a profit. For example, the purchase of a can of soup helps the operations of the company that produced the soup. Research of large corporations that manufacturer commonly recognized products and services may find that corporations or their officers may participate in uncompassionate behaviors that relate to self-interest. Such behaviors may include, but not be limited to the following forms of conduct.

1. poor treatment of manual laborers (including unfair wage practices);
2. unfair land contracts that require use of land for particular types of farming.
3. release of hazardous chemicals into the atmosphere, soil, ocean or groundwater;
4. interfering with government efforts to create regulations that are in the interest of public safety;
5. concealing information that warns about adverse health effects from publically consumed products;
6. encroachment on publically available resources, such as water, and repackaging them as alternatively sourced;
7. influencing governmental policy to generate company business;
8. excessively compensating corporate officers and directors; and,
9. destroying living natural resources and habitats, such as trees and marshlands that maintain a healthy environment, to create products (such as paper) for consumption.

With knowledge about corporations and businesses that practice, support, or condone such processes, the consumer may adjust his or her practices. He or she may decide to pass over these products or obtain them from companies that are more compassionate in their practices.

Based on the preceding discussion, it should be evident that people's spending choices are influenced by prices as well as many other factors, including advertising. Spending decisions are also affected by the people with whom we associate.

The spending choices of others affect the patterns of decisions that we make. We will first consider the spending choices of others. How do you feel when a friend has purchased the latest fashion of clothing that many people admire? Do you feel badly because you don't have one like it? Do you run to the store and look for the same item? Does it not matter to you?

People may purchase items because someone they know has bought something and they want to show that they have the same ability. For example, think about the feeling you may get when you purchase a new car. It smells clean and fresh. It is unsoiled. It is a new beginning of sorts. A friend has a new car and receives a lot of attention for it. How do you feel about your mode of transportation?

Often times, we may buy things because someone we know has made a purchase and feels good about it. The purchase has made that person happy, so we think that a similar purchase will make us happy. It is simple. Someone bought a car and is happy about it. We should buy a car so that we will be or are happy. The key to financial planning is to do what our friends do, and then everyone will be happy. Simple! Yes?

One should avoid convenience-based decision-making and learn to differentiate between needs and wants. If one already has a reliable mode of transportation a new car may perfume the drive for a bit; however, the financial realities of committing oneself to the expenses of a new car may differ from those of maintaining things as they were.

Even more important is your concept of personal self-worth. To what extent is your sense of who you are based on yourself and to what extent is it based on material objects? Having a strong sense of personal self-worth that does not depend on what you own, there is no need to worry about what your friends own in comparison to you. You are not the same person as your friends. Indeed, saying "No" shows you as being a person of unique qualities because you can resist the temptation to be in awe of things that other people have, and practice the ability to manage your finances based on your appreciation of you. Having a strong sense of personal self-worth can reduce the influences of various factors on poor spending decisions. For example, your strong sense of personal self-worth can help you resist the efforts of companies to change your perceptions of purchase wants to purchase needs. It may also give you the courage and strength to tell your peers "No". If they encourage you to buy something unneeded or otherwise be financially imprudent, you must make a strong effort to resist the temptation to spend money on something that is not necessary for you. A strong sense of personal self-worth can also support your development of self-discipline to put money aside for the future or pay off debt. A strong sense of personal self-worth is essential to money management because it protects us from others who would control our financial decisions.

PLANNED AND UNPLANNED SPENDING

Consider the differences between planned and unplanned spending. We've talked about budgets and spending plans. These tools help guide money management because they enable one to view his or her income and expenses and to decide how to adjust them. Unexpected spending situations may arise. For example, a baseball may go through a house window or an unexpected death may require travel to a funeral. How does one manage these issues? One addresses the unplanned by planning for them.

While we cannot predict particular events, we can plan for the possibility that some unplanned event may occur. How do we do this? We create an expense item in our budget or spending plan for emergencies. So, for example, we set aside $200 each planning period for an emergency of some nature. If an emergency occurs, there is $200 ready to address it. If the emergency does not occur, we put $200 into an emergency fund and set a $200 expense item for the next month. Thus, we are both preparing for funding emergencies with our current budget and creating an emergency funding at the same time. For an expensive emergency that requires more money, we have the emergency fund. For a smaller emergency, we have the emergency spending plan item. We address unplanned spending by planning for it.

There are other ways to plan for the unplanned, which we will address in a later chapter. For now, know that through conscious budgeting and planning, we can both anticipate the possibility of an unplanned expense and create an emergency fund to handle it. It is possible that a major emergency could occur during the first month of setting up this fund. At the same time, we should note that, the nature of an emergency is such that it is a rare event and that when we take precautions in advance, we can reduce the risk that an emergency may occur.

Here is a mini-quiz: so small it does not deserve its own section. We will say that you have an emergency fund of $100 and your monthly emergency expense allotment is $100. Your friend Sam tells you that he needs to borrow $300 because of an emergency repair for the brakes on his car. How much should you give to Sam?

The correct answer is to tell Sam you are not going to give him anything unless Sam has a clear plan to pay you back, and then encourage Sam to find another source of funding for the repair after obtaining two or three quotes from mechanics. How did you know this was the correct response? Because you applied several of principles of money management from this chapter: The first is your personal self-worth. You stood up to Sam, who was testing your friendship by asking for money without mentioning repayment. If this were your car, it would be an emergency. The second is comparison shopping. You are encouraging Sam to seek out different sources for the service and find the best deal. The third is the critical analysis of those who provide the purchased goods or services. You are being a good friend to Sam by sparing him your control of his future spending by demanding loan repayment. You value your friendship with Sam, and therefore told him “No”. If Sam is a true friend, he will respect your answer of “No” and appreciate your principles!

We do things faster by doing things slower. By saying “No” to Sam, we are teaching him to think about his own financial situation, rather than depending on others to give him money as a solution. A compassionate approach would be to teach Sam about income and money management, just as you learned, so that he may apply these principles.

A compromise would be to give Sam a smaller amount, such as $50, as a gesture of kindness that shows flexibility with your processes. This informs Sam that you have compassion to help with the situation, but not so much that you take responsibility for the entire amount.

Caring for others occurs through more than simply saying nice things. Caring for others is a process helping them to feel good about themselves by teaching them the skills to be successful. Giving money to Sam would make him feel good in the short term about having the repair addressed; however, it may do little to motivate Sam to be disciplined in his money management. Caring people say "No" and direct others to the sources of information to strengthen their areas of weakness. Saying "No" forces Sam to develop personal self-worth through growth and accomplishment. Personal self-worth comes from being comfortable with who you are such that you can resist the control of others. It does not come from things that you own.

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FINANCIAL LITERACY BENCHMARKS

4th Grade

Conventional Standards	*Compassionate Standards*
Economic wants are desires that can be satisfied by consuming a good, a service, or a leisure activity.	Economic wants are desires that cannot be completely satisfied. People try to satisfy such wants by consuming a good, a service, or a leisure activity.
People make choices about what goods and services they buy because they can't have everything they want. This requires individuals to prioritize their wants.	People's choices with regards to goods and services are affected by their sense of personal self-worth and by their access to financial resources. Messages from people who want to sell goods and services may also influence these choices.
	People make a basic choice that concerns the extent to which they will use their financial resources to control or to care. Controlling requires financial resources to buy things that they want. Caring requires financial resources to provide what they and others need.
People spend a portion of their income on goods and services in order to increase their personal satisfaction or happiness.	People spend a portion of their income on goods and services; however, these items only bring temporary satisfaction. Personal worth or happiness comes from self-compassion.
Whenever people buy something, they incur an opportunity cost. Opportunity cost is the value of the next best alternative that is given up when a person makes a choice.	Whenever people buy something, they incur a social opportunity cost. Social opportunity cost is the value a social alternative that is given up when a person makes a choice.
A budget is a plan for using income productively, including spending, sharing, and setting money aside for future expenses.	A budget is a plan for using resources. It organizes ideas for spending, sharing, and setting financial and social resources aside for future expenses.
People pay for goods and services in different ways.	People use different tools to pay for goods and services. The available tools relate to people's social and economic environments.
Informed decision making requires comparing the costs and benefits of spending alternatives. Costs are things that a decision maker gives up; benefits are things that a decision maker gains.	Informed decision making requires comparing the costs and benefits of alternatives. An accurate comparison requires access to and critical understanding of information. The costs are things that can hurt or harm the decision maker. Benefits are things that can help a decision maker.

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Conventional Standards	*Compassionate Standards*
People's spending choices are influenced by prices as well as many other factors, including advertising, the spending choices of others, and peer pressure.	People's spending choices are influenced by prices as well as many other factors, including care for others, advertising, the spending choices of others, and peer pressure. Having a strong sense of personal worth can reduce the influences of various factors on spending decisions.
Planning for spending can help people make informed choices. A budget is a plan for spending, saving, and managing income.	Spending is planned or unplanned. Planning for spending can help people make informed choices and prepare for unexpected situations.
People are required to pay taxes, for which they receive government services.	People are required to pay taxes, for which they receive government services. People pay different percentages of taxes, as related to the forms and amounts of money that they control.

8th Grade

Conventional Standards	*Compassionate Standards*
People perform basic financial tasks to manage money.	People perform basic financial tasks to manage money. These tasks differ based on people's attitudes and living conditions.
A budget identifies expected income and expenses, including saving, and serves as a guide to help people live within their income.	A budget identifies expected income and expenses, including saving, and serves as a guide to help people live within their income.
When making choices about what to buy, consumers may choose to gather information from a variety of sources. The quality and usefulness of information provided by sources can vary greatly from source to source. While many sources provide valuable information, some sources provide information that is deliberately misleading.	When making choices about what to buy, consumers may choose to gather information from a variety of sources. The quality and usefulness of information provided by sources can vary greatly from source to source. By developing a critical view of information sources, consumers can better choose goods and services from caring and compassionate provides. Many sources provide valuable information and many provide information that is deliberately misleading.
By understanding a source's incentives in providing information about a good or service, a consumer can better assess the quality and usefulness of the information.	By conducting background checks to verify the accuracy of information about a good or service, a consumer can better assess the usefulness of the information and the trustworthiness of its provider.

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Conventional Standards	*Compassionate Standards*
People choose from a variety of payment methods in order to buy goods and services.	People use different tools to pay for goods and services. Choices among various tools relate to people's economic environments.
Some payment methods are more expensive than others.	Payment methods involve different costs and benefits. The economic context of the consumer shapes his or her access to various repayment methods.
Choosing a payment method entails weighing the costs and benefits of the different payment options.	Choosing a payment method relates to the availability of options to the consumer and those offered by the seller of the goods or service.
A budget includes fixed and variable expenses, as well as income, savings, and taxes.	A budget can include different elements as guided by its nature and purpose.
People may revise their budget based on unplanned expenses and changes in income.	A person may revise his or her budget based on changes in habits and behaviors.

ACTIVITIES

Activity 1

The following matrix displays the five payment types discussed in this chapter. Using the descriptions provided in this chapter, complete the definition, financial benefit and financial cost for each. Then, using the information from the completed matrix, work in groups to discuss and agree to the social costs and benefits for each.

	Cash	*Check*	*Debit Card*	*Credit Card*	*Online*
Definition					
Terms					
Financial Benefit					
Financial Cost					
Social Benefit					
Social Cost					

Activity 2

Locate a popular magazine or newspaper and cut out an advertisement for a good or service that you are interested in purchasing. Examine the advertisement carefully and then answer the following questions.

- To what extent is the advertised item a need or want? Explain your reasoning.
- What are the item features that the advertisement promotes? To what extent are descriptions sensationalizing the features?
- What are the social images or messages that the advertisement associates with the product?
- What financial information about the product does the advertisement provide? For example, does it provide information about the price or a price reduction? How does the presented information attract your interest? How might you learn additional information about the price to counter this effort?
- If the advertisement provides coupons for your use, what is the after coupon price compared to other brands of the same product? How may the outcome of your price comparison relate to a comparison of the same items' quality?

Activity 3

The purpose this activity is to learn about the people who are affected by your purchase decisions. Make a list of the places that you frequently shop. For example, a gas station, a clothing store, or a supermarket. Think about the people who are "regular" workers that you would recognize as the store.

Obtaining the store manager's prior permission, introduce yourself to the employee and inform him or her that you would like to schedule a time to meet with him or her offsite (perhaps at local coffee shop) to learn about his or her approaches to money management. You may wish to interview the store manager as well. Remind your interviewees that this information is for a course assignment and will be considered confidential outside of that context. Ask the interviewees about their backgrounds:

- What skills did they need to develop before they could accept their position?
- What prompted them to pursue their current position and what process did they go through to obtain the position?

Ask the interviewees about their company and compensation:

- What is the *basis* for their income (e.g., salary, commission, hourly wage)? Note that the answer to this question is different from the *amount* of compensation.
- How was it determined that this would be the basis for their compensation?
- How do the types and quantities of items that a consumer purchases affect the amount that they are paid?

Ask the interviewees about their values and lifestyle.

- How does the income from their position support their lifestyle? (e.g., temporary job to get through college; employment to support family)
- What is the most important bill that you pay each month?
- To what extent does their company pursue moral business practices?
- To what extent were company values a factor in your decision to accept employment?

After completing your interview, share your findings with classmates. Answer the following questions.

- To what extent are your interviewees' sense of worth financially or personally originated?
- What aspects of the interview responses support your view?

Research the corporation or business that supports your interviewees by examining their website and searching for newspaper/magazine articles and media reports.

- How do the findings of your research compare with the responses of your interviewee?
- How do the results of your interviews affect your willingness to shop at this outlet in the future?

Activity 4

Organize your class into four groups of equal size. Each group will view a documentary that describes the business practices of corporations from which you might purchase products. For example, you might consider the following titles: Tapped (2010), Gasland (2010), GMO OMG (2013), Unacceptable Levels (2013), Fed Up (2014). After each group has viewed its groups video, discuss your video in your group by answering the following questions.

- What were the main themes presented in the video?
- What evidence did the video provide to support these themes? How would you describe the legitimacy of the presented evidence?
- What arguments can you develop to counter the presented themes? What is the basis for your counter argument (Note: Forms of the argument "Everyone knows that…" are not legitimate claims.)
- Based on the evidence presented in the video and your discussion, what are your conclusions about the video?

After completing your discussion, organize into groups of four, with each group member representing an expert on the film that his group watched and discussed. Answer the following questions.

- Of what common corporate or business behaviors and practices do the videos provide evidence?
- To what extent to you consider these behaviors and practices morally justifiable?
- How do your money management decisions relate to these corporate or business behaviors?

CHAPTER 5

RISK MANAGEMENT AND INSURANCE

This chapter is concerned with the notions of risk management and insurance. It begins by revisiting the premises of the conventional approach to financial literacy and how understandings of risk insurance relate to that framework. It then presents the foundations for a compassionate approach that are rooted in psychological and moral research.

PREMISES OF CONVENTIONAL APPROACHES

"If it were all gone, what would you do?" Consider how often you might have heard this question or others like it. Such questions prompt one to ponder the nature of life in the absence of something materially significant. Consider how the question above makes you feel. You may feel sad, anxious, or worried. Perhaps you feel threatened.

Risk to personal self-worth and to financial worth is part of daily life. The feelings relate to the loss of association with something important to your life. For example, often times this may relate to the death of a close relative or friend, your health, home, employment, or transportation. If you are like many people, your answer describes a change in your feelings in the absence of the thing(s) lost. Because the thing(s) that one owns or with which one associates has/have disappeared, one feels badly. In a sense, there is a feeling of worthlessness and an effort to seek financial compensation for these losses to alleviate the feeling of worthlessness.

Risk is part of your daily life. You experience daily threats to your financial and personal self-worth. Think first about personal self-worth and the conditions that may pose a threat to your perceptions of your personal self-worth. You may consider people who say mean things about you or those who criticize, tease, and intimidate you as threats to your self-esteem. You may think about these people as threats to your personal self-worth. What about people who say nice things to you and always pay you compliments? You may consider these people as supporting your personal self-worth. It is simple to understand. Correct?

For example, consider a co-worker who accuses you of stealing office supplies and a co-worker who tells the boss about how you work very hard. The extent who which these co-workers relate to your personal self-worth and financial worth seems to be readily apparent.

Remember to keep in mind the concept of convenience. It is easy (convenient) to consider words and appearances as determinants of safety; however, remember that actions speak louder than words. What does this mean? It means that if a person says rude things, yet can be trusted to act in a responsible way, perhaps that person may be one who can be counted upon to reinforce your sense of personal self-worth. In the same way, one who says nice things may act in ways that are irresponsible and untrustworthy. Everyone has the potential to do great harm or good; your challenge involves determining who will reinforce your sense of personal self-worth.

DISCUSSION POINT

In your free time, watch the video *The Flamingo Kid*. The film concerns a teenage boy, Jeffrey, living in working class home with a strict father. The boy takes a summer job serving as a valet at beach club for an affluent owner of a car dealer. Which of the two male role models best reinforced the sense of personal self-worth of Jeffrey? Explain your reasoning.

THREATS TO FINANCIAL WORTH

Risk is the chance of loss or harm. People experience different amounts of financial risk because of the life conditions that they experience. Think now about financial worth and the conditions that may threaten your financial worth. There are events that may cause risk to your job, your home, your car, or even your education. As with your personal self-worth, you make decisions with regard to your finances such that you seek conditions that reinforce or build your net worth. For example, you establish a savings account at the bank to create a safe place to store your money.

Risk is the chance of loss or harm. The choices that people have for dealing with risk relate to the conditions for living (e.g., genetic composition, sibling sequence, gender, socioeconomic status) that they receive at birth. Your perceptions of risk and propensity to avoid or compensate for it depend upon your psychological traits and the home environment in which you were raised. People experience different amounts of financial risk because of the life conditions that they experience. Personal financial risk exists when unexpected events can damage health, income, property, wealth, or future opportunities. A person can make take steps to reduce personal and financial risks.

In general, society attributes financial accumulation to individual choices, without regard for one's life origins and the influences on his or her decision-making. An individualistic approach to financial literacy places the responsibility for personal fulfillment on the individual through wealth accumulation (Arthur, 2012). Part of this perspective assumes that individuals anticipate and protect themselves from threats to this accumulation of wealth. A portion of this protection comes in the form of insurance, which pays money to compensate for events that may hurt or harm one's financial status. This conventional approach to financial literacy views insurance as something for an individual person or business to purchase as a method to receive compensation in the event of an adverse event. This approach does not consider the reasons for the actions taken by individuals or businesses.

Nevertheless, when it comes to the loss of things important to us, it is heartening to think about the words of Adam Smith (1976), who made the following observation:

> The person who has lost his whole fortune, if he is in health, feels nothing in his body. What he suffers is from the imagination only, which represents to him the loss of his dignity, neglect of his friends, contempt from his enemies, dependence, want and misery, coming fast upon him. (p. 28)

Smith's thinking seems counter-intuitive in today's economically and materially-focused climate. Often times, when faced with financial losses, people may get angry as they seek an explanation that assigns blame and that entitles them to financial compensation. This view represents a very sad situation because such thinking amounts to anger about loss of control or loss of ownership or one's possessions. Consider this situation from another perspective. The thought of a person labelled as socially possessive or controlling generally conjures negative images and connotations. A socially possessive person manipulates others or acts in ways to affect different behavior from what might freely occur. This manipulation occurs when the possessive person controls something that the victim wants, such as money, alcohol, drugs, or even emotions, to cause the victim to behave in a particular way.

Think about the classic experiment in which Ivan Pavlov demonstrated that his dog would drool when associating certain events with food. This research demonstrated how animals could be controlled by giving or withholding rewards for acting particular ways. A person who is socially possessive or controlling can act towards other people in the same way, controlling their behavior to fit his or her agenda by giving or withholding something the other person wants. To put it colloquially, the controller is treating other people like dogs. Smith (1976) recognized that the things that one possesses and the people that one controls do nothing to improve one's personal self-worth.

Conventional approaches to risk and insurance are founded upon similarly possessive approaches. Within this framework, insurance presents a good and service that consumers may purchase to compensate for the realization of financial losses. The underlying principle with purchasing insurance lies in the transfer of financial risk to the insurance company. Insurance companies have the resources to determine the probabilities of policyholders incurring insurable events, and they adjust their premiums accordingly.

The assumptions in this approach to insurance are as follows: (1) one satisfies his or her personal needs through wealth accumulation; (2) wealth accumulation represents a competitive process in which satisfaction of one's needs comes before others' (3) a responsible citizen adheres to the social rules, which are designed to resolve conflicts between competing members, and (4) the payment of money represents a mechanism for compensating others.

Within this system, insurance is designed as a tool to guard against financial risk in the event of unexpected loss. Within this system, the measure for success is wealth. Insurance represents a safeguard to protect that wealth. "Insurance is the mechanism for transferring and reducing pure risk through which a large number of individuals share in the financial losses suffered by members of the group in a whole" (Garman & Forgue, 2006, p. 272). A way to paraphrase this definition is that insurance represents a mechanism to protect the amount of wealth that one controls. The conceptual difficulties with the purchase of insurance protection lie within its reinforcement of controlling principles that undergird conventional financial literacy frameworks. Each of the following four challenges relates to matters of social control that extend to psychological insecurities: (1) the potential for social bias associated with determinations of insurability; (2) the perpetuation of economic class disparities that arise from mathematical approaches to determining insurance coverage amounts; (3) the imposition of a belief among social participants that financial insurance represents a service of necessity; and (4) the influence on social-valuing of particular social commodities through the availability of insurance products. These challenges relate to a conventional wealth accumulation approach to financial literacy, which interprets personal needs as satisfied through the neutral consumption of goods and services provided by the wealthy elite. In summary, the elite provide the vast masses of society with material things and convince the masses of their importance. They reinforce this notion by providing the masses with financial protection to guard against the potential loss of goods or accumulated assets.

The difficulty with this approach to insurance lies in the underlying assumptions. We will consider each one and how it relates to interpreting risk and insurance. The first assumption, that one satisfies his or her personal needs through wealth accumulation only applies temporarily. Wealth accumulation, which occurs through the acquisition of financially appreciating goods and services, only temporarily satisfies one's personal needs and tends to lead to the want to acquire more goods and services. One cannot permanently satisfy personal needs through the control of goods and services. These acquisitions represent temporary Band-Aids.

First, one may argue that his or her needs are permanently satisfied through the control of goods and services. Our response to this claim represents a departure from the "normal" way of thinking. Consider the lengths to which a person who thinks this way goes to protect his or her financial resources, including his or her family. To what extent are these items valued in their own right? We feel sad for this person because his or her claim depends on the external items to justify his or her existence. This person lacks a genuine sense of personal self-worth for who he or she is. His or her sense of personal self-worth depends on relationship s/he has to his or her possessions.

The second assumption, that wealth accumulation represents a competitive process in which satisfaction of one's needs comes before others' needs, presents a fallacy as well. If acquisition of goods and services represents a process that temporarily satisfies one's needs, then competition for these temporary sources, in and of themselves, represents an unsatisfying process. Why? Because the victor of a competitive process realizes that the goods and services won only satisfy temporarily, resulting in the need to compete even more for temporarily satisfying goods and services. This represents a cycle of failure in which one works to accomplish a goal that does not fulfill its intent.

The third assumption is that a responsible citizen adheres to the social rules, which are designed to resolve conflicts between competing members. This assumption is problematic because the social rules necessarily reinforce the competitive nature of the society. Adhering to the social rules (in this case for the acquisition of wealth) for acquisition of goods and services reinforces the notions of choice, merit, and profit utilized to justify existent patterns of resource allocation. While participatory citizens (Westerheimer & Kahne, 2004) assume leadership roles that affect processes to address social challenges, these efforts occur within existing social structures and thus prompt no real change.

Consider a person or group of persons who challenges social order by inciting a riot that disrupts the standard patterns of economic commerce that undergird contemporary society. A historical accounting of such efforts may be found in the work of Howard Zinn (2008), for example. The nature of the legal proceedings very often relates to those who transgressed the property rights of landowners and the business elite, rather than calling into question the conditions imposed by the property controllers on those who eventually challenged the system.

Finally, the fourth assumption, that the payment of money represents a mechanism for compensating others, constitutes a social convention. Yet financial compensation reinforces competitive notions that lead to an unsatisfied psychological need. The payment of money does not replace the items that are lost nor does it change the events of the past. Instead, the financial amount represents a tool for acquiring additional resources that form a basis for reestablishing control.

To clarify, when one loses all of his or her financial assets, it represents a traumatic experience. It is certainly a difficult situation to go through. Consider the images and interviews with people who have been through catastrophes that you might have observed on television or the internet or in newspapers or magazines. These people went through very difficult situations that greatly affected their lives.

We hold that the provision for financial compensation in the event of potential loss may potentially become problematic when (1) the community becomes so large that the insurers are socially removed from the insured and (2) the insured are so financially dependent that they lose compassion for themselves and for others. While conventional financial literacy theory interprets financial worth as the amount of money and assets for which a person is responsible, it lacks a compassionate underpinning—that is the creation of a caring environment in which financial and personal worth are difficult to distinguish. This deficiency becomes an even greater challenge to overcome when a community becomes immersed in a large amount of money and assets. In other words, the more that control of goods and services becomes the modus operandi in a community, the more difficult it becomes for individual community members to develop compassionate views of others and themselves.

The wrestling match between control and compassion occur at all economic levels. Regardless of the amount of financial resources that one experiences, the question remains as to how much these resources determine the essence of one's personal self-worth.

MONEY MANAGEMENT REVISITED

Before we begin considering risk and insurance, it is very important to recognize the extent to which one's personal self-worth relates to one's control of money and financial assets.

Earlier in the text, we considered money management as it relates to budgeting and spending. In other words, money management is a process by which one controls his or her spending in a way that does not usurp his or her income for a particular period.

This chapter concerns another aspect of money management, which relates to risk of loss. To help you to better understand why this aspect of money management is so important, we will revisit the expandable sink image that we used to discuss your budget and spending plan.

Income that you earn from your job or career enters the sink from the water faucet. The money you spend exits the sink through the drain. The credit that you have to repay is water that someone puts into your sink to prevent your sink from becoming empty and which you have to give back at some time. Risk is the chance of loss or harm. When we talk about risk with regard to the sink, we are considering the possibility that the sink may be damaged in such a way that it cannot hold the water that you need.

We will revisit the budget and spending plan for a few paragraphs. Table 5.1 provides information that concerns the income and expenses for E. Z. Levine

Table 5.1. Spending experiences of E. Z. Levine

Item	*Month 1*	*Month 2*
Net Pay	$3,000	$3,000
Savings and Credit Cards	300	300
Housing	$1,000	$1,000
Electricity	$50	$52
Water	$35	$30
Phone (Landline and Cell)	$75	$75
Groceries	$400	$400
Car Note and Maintenance	$450	$475
Entertainment	$300	$400
Healthcare	$300	$300
Surplus or Deficit	$90	($32)

Having a surplus at the end of Month 1 provides Levine the opportunity to add money to the cash accounts or reduce the amounts owed to others. Unfortunately, E. Z. could not control his entertainment spending and had a deficit in Month 2. During Month 1, E. Z. Levine spent less than the income earned. Therefore, Levine had a surplus of $90. During Month 2, E. Z. Levine spent more than the income earned. Therefore, Levine had a deficit of $32. What happens to money associated with the surplus, and where does money come from to cover the deficit? The surplus is simply an addition to one's financial worth. It is money that was not used in the period and can be saved for later. The deficit is simply a subtraction from one's financial worth. It is money that is not saved and that cannot be used later.

So how do we know what money and assets are held? Financial worth is the total of all of the financial things owned. Net financial worth is the total of the financial items owned minus the amounts (debts) owed to others. A balance sheet is a financial document that tells us what is owned, what is owed, and the resulting financial net worth.

A surplus in Levine's budget means Levine has extra cash during that time period to strengthen his net worth. The extra money can be kept in a checking account, put into savings, used to purchase appreciating financial assets, or used to reduce debt. If Levine experiences a deficit, Levine needs to find the money from somewhere else, either taking it from an account of saved money or borrowing money from another source.

Below, we have a statement of worth for E. Z. Levine. The left side of the statement lists all of Levine's assets. The right side lists the accounts that fund these assets. Levine has approximately $84,000 of assets to care for. These assets are financed through debts of $73,500.

Note that the spreadsheet totals net worth and debts to balance with total assets. One's total assets are referred to in financial terms as total worth. Subtracting the total debts from total worth yields net worth.

Table 5.2. Financial statement of E. Z. Levine

Assets ($)		*Liabilities ($)*	
Cash	5	Credit Card Outstanding	500
Savings Account	100		
Certificate of Deposit	1,500		
Subtotal: Cash and Deposit Accounts	1,605		
Car	4,000	Car Loan	3,000
Household Goods	1,000		
House	75,000	Mortgage	70,000
Retirement Account	2,000	Total Debts	73,500
		Net Worth	10,105
Total Assets	83,605	Total Debts and Worth	83,605

Imagine that Levine needs to decide how to manage the $90 surplus at the end of Month 1. What would you recommend? Consider the credit card charges at an interest rate of 10 percent. The savings account pays interest of 1.25 percent, and the certificate pays an interest rate of 2.50 percent. Which would you choose if you were Levine? Presuming that you have enough cash for an emergency, paying the credit card seems to be a wise choice. Why? Because reducing the credit card balance saves much more than the savings or certificate deposits earn.

Yet, if you don't have enough for an emergency, putting money into savings represents a better choice. Why? Because having money for an emergency (a) represents a way of accepting the risk that there will be future expenses that cannot be funded through your regular budget and (b) saves potential future interest on a loan.

Go back and look at Month 2 of E. Z. Levine's spending. Levine finished the budget period with a $32 deficit. Where will the money come from--savings or the credit card? Which would you choose if you were Levine?

The statement of financial worth helps to show the assets that we care for and the ways that we fund them. It is also a tool to help realize the importance of budgeting and planning spending. By reducing spending, one has more money to reduce debts owed to others and increase assets to care for.

The statement of financial worth also informs about how much financial risk a person may have. In other words, while the statement tells how much a person may control, it also informs about how much a person could lose. It conveys information about the amount of risk a person might have. It, along with one's education and prior financial decisions, inform about one's potential financial risk.

This is a very important matter. A person who has $200,000 worth of money and assets is at risk of losing $200,000. A person who has $20,000 is at risk of losing $20,000. A person who has $2 is at risk of losing $2. Regardless of how much a person controls, the emotional trauma of losing what he or she owns is very large.

In previous chapters, we distinguished between personal self-worth and financial worth. This chapter is not any different in that regard. Imagine a person has $200,000 and loses this entire amount. What is the effect on personal self-worth? No effect occurs if he or she does not base personal self-worth on his or her possessions. What is the effect of losing $2 for the person who owns $2? There is no effect on personal self-worth if the sense of personal self-worth does not depend on one's financial wealth. Go back to Chapter 1 of this book and refresh your memory about Nelson Mandela. Regardless of how much money you have or do not have, you remain the same person.

RISK

Risk from accidents and from unexpected events represents an unavoidable part of daily life. Garman and Forgue (2006) observe that "In the area of potential financial losses, risk consists of uncertainty about whether the financial loss will occur and how large it might be" (p. 267). People can control the risk that they experience by thinking about their choices and making safe decisions; nevertheless, the contexts of individuals' lives may limit the choices that people have to make. You might have heard the following mantra: "Prior planning prevents problems." Consider this phrase in terms of risk. If we take the time to consider the elements of our finances that may be vulnerable to loss, we may also take time to provide for loss protection.

Think about it another way. Imagine that you have a social studies test scheduled for tomorrow. As much as you love social studies (and so you should), you have not completed the homework assignments and therefore have not reinforced your understandings of the assigned readings by refreshing your memory each night. You are at risk of a poor performance on tomorrow's test.

Now think about how you usually approach your studies. You knew a test was looming on the horizon at the beginning of the unit. You diligently completed your homework and reviewed your notes each night. All of the material is fresh in your mind the night before the test. You are at low risk for a poor performance because you prepared for the event. Prior prevention prevents problems.

People may experience more risks from accidents than others if they live in particular social contexts over which they had no choice. For example, a person may have been raised in a household that did not teach its children to regularly study their schoolwork. Why might this situation be the case? We can think of two reasons. First, the parents or guardians of the household could have distractions that relate to employment, personal relationships, or just a low sense of personal self-worth. These distractions prevent them from attending to the children as they might otherwise. Second, the family and community may simply have given-up on school and view it as a process to experience, but not as a path to realize success. For example, Vivian and Curtis Morris (2000) describe the frustration of the Black community of Trenholm during desegregation. White district and school officials disrespected the culture and values of the Black students, causing the community's frustration and disinterestedness in White-led schooling.

When we talk about preventing problems with regard to money, we think about what can be done to address risk of potential loss. We will now take a few moments to revisit the financial statements of E. Z. Levine. Note that Levine has a financial net worth of a little more than $10,000. What potential sources of loss are evident?

Looking at the assets that Levine lists, we recognize the car and house are important assets for Levine to protect for two reasons: (1) because they are items that represent key sources of shelter and transportation and (2) because they are items for which Levine is indebted. Levine needs to address the risk of loss associated with these items.

At the same time, Levine needs to consider the sources of money to pay for the credits that fund these items. How might Levine find ways to address the risk of illness or injury that may affect future income needed to pay the credit? When we consider the risks that may affect our finances, there are several different points of exposure that need protection, reduction, or elimination. Personal financial risk exists when unexpected events can damage health, income, property, wealth, or future opportunities. Any person can take steps to reduce personal financial risks by considering future expenses and potential income, realizing the limits of one's budget, and/or thinking wisely about earnings versus needs and wants.

PROTECTING FROM LOSS

We have identified some financial risks that may affect people's financial worth. What are some ways to address these risks and realize protection from potential loss? One method to prepare for unexpected losses is to save for emergencies. Consider the choice presented with the $90 surplus for Month 1 mentioned earlier. We would either reduce the high interest credit card or increase the lower interest savings. While reducing the debt saves interest expense, putting the money into savings has a benefit of providing funds for a future emergency. Both of these aims represent important intentions. A person's ability to save for emergencies depends on his or her life origins, resources, and sense of personal self-worth.

A person's ability to save for emergencies depends on his or her resources and sense of self-worth. We will first consider the sense of personal self-worth. If one has a sense of worth that's based on him or herself, he or she has inner trust and confidence that he or she will have a stable source of income and the predictability in lifestyle, such that he or she may set money aside for use at a later time. That trust extends to a depository institution, such as a bank or credit union, such that he or she may put the money into an account and be certain that the money will not be needed for some time. This process takes discipline and self-restraint. It requires one to reduce, avoid or delay spending on other items that may satisfy short-term wants or needs.

The second component of the ability to save lies within the available resources. In other words, if one does not have enough of an income to address one's basic expenses, one cannot have enough money to put money into savings. This may sound harsh; however, it is the reality for many.

Consider a person who earns federal minimum wage of $7.25 an hour. Presume that person has a good month and works 40 hours a week for four weeks. That person earns approximately $1,160 during the month, which would total $13,920/year, not considering time off for holidays and vacation time.

A check that provides gross pay of $1,160 (considering withholdings for social security, Medicare, and state taxes) would yield $928 in net pay. That may sound like a lot of money until we consider the cost of living in a person's community. Apartments in many large cities easily rent for $600 to $1,700 each month. Even the most frugal person could have difficulty managing expenses at that rate of pay.

How might a stronger sense of personal self-worth improve this situation? The individual develops and uses a network of safe and trusting friends to perform any of the following tasks: (1) work to locate and share safe and affordable housing;

(2) seek temporary employment to increase his or her rate of pay; and (3) seek education or training for a secure job or career.

DISCUSSION QUESTIONS

1. Consider the sources of income that you have available. How difficult is it for you to put money into a savings account? To what extent does your answer relate to your sense of personal self-worth or your available resources?
2. Think about a person who works for the federal minimum wage. How would you respond to the claim that this person does not have to worry about financial risk? Provide your response in a logical and well-reasoned manner.

DEALING WITH RISK

Individuals can choose to accept some risk, to take steps to avoid or reduce risk, or to transfer risk to others through the purchase of insurance. Each option has different costs and benefits. The choices that individuals have depend on their life circumstances. We will consider three strategies for managing risk. Risk management strategies include risk avoidance, risk control, and risk transfer. We will define each one and provide an example to illustrate its meaning. Keep in mind that people take steps to avoid or reduce risk or to transfer risk to others through the purchase of insurance. Risk avoidance is a process whereby a person stays away from the conditions that cause the risk to occur. Imagine that it is raining outside, and you do not want to get wet. What do you do? You stay inside and avoid the rain! That is risk avoidance. Avoiding or staying away from the risk protects you, in this case from getting wet from the rain. You perceive a risk/benefit relationship through your decisions.

We will provide another example that is related to money. Say that you are worried about purchasing a new stereo because of fear it might be stolen. Risk avoidance would involve the decision to not purchase the stereo. The risk is something that you do not want to face, so you decide to stay away from it all together. You avoid the purchase.

Risk control is a process of adjusting the conditions to get rid of the exposure to the risk in an effort to reduce the possibility of hurt or harm. We will go back to the rain example. Controlling the risk of getting wet would involve donning a raincoat and carrying an umbrella. Wearing these items limits the risk of getting wet.

Another example would be the worry over possible theft of the new stereo. Controlling the risk involves creating more secure conditions around the stereo. For example, storing the stereo in a locked cabinet could discourage such a possibility.

Risk transfer involves paying money to another party (typically an insurance company) so that that party accepts the risk of loss. For example, you are concerned about being in an accident with your new automobile. Unfortunately, you do not have the thousands of dollars needed to pay for another car if it is damaged or if you injure someone in an auto accident.

Insurance is a product that allows people to pay a fee (called a premium) now to transfer the costs of a potential future loss to a third party. A person can lower or reduce insurance costs by reducing or eliminating the need for insurance. He or she pays the insurance company a small amount each month (a premium) for a policy that pays a portion of the expenses associated with an accident. In other words, he or she pays money to transfer the risk of liability from being in an accident to the insurance company.

There are different ways of managing financial risk. The manner of dealing with financial risk depends on your personal situation, the financial assets that you control, and the risks you are willing to accept.

CONVENIENCE, RISK, AND INSURANCE

Now, we will consider the concept of convenience as it relates to risk and insurance. Remember that convenience involves a simple manner of accomplishing something more easily, often with others' help. For example, the convenience store offers a source of commodities that saves you a visit to the larger grocery store. It is easier to stop at the convenience store; however, the price is more than at the grocery store.

What is the convenience in insurance? There are two answers to this question. First, insurance itself is a convenience. Why? Because insurance is the expense of paying a group of people to accept the financial risk that you do not want to manage. For example, you could manage the financial risk of owning a car by taking the time to build a large reserve of funds in case of an accident or other damaging event; however, it is more convenient to save time and work spent money and transfer the risk to the insurance company. Second, insurance itself is a convenience because it transfers the cost of the risk to a group of people who specialize in managing risk.

So what are the ways that we may reduce convenience without increasing the risk to ourselves? There are three strategies for doing so, presented from most to least conventional, along with examples of how to apply them.

ADJUSTING POLICY TERMS

The first strategy to reduce the convenience of insurance relates to the conditions associated with the insurance policy that you purchase. The monthly price, or premium, that you pay for an insurance policy relates to the risk of loss or deductible that you are willing to accept. For example, you might pay a premium of $100 a month with a deductible of $250 on your coverage. That premium would decrease to $75 if you accept a deductible of $500. The more risk you accept, the lower the premium that you pay. Table 5.3 provides an example of the relationship between premiums and deductibles for an insurance policy.

Table 5.3. The relationship between deductibles and premiums

	Deductible Options		
	$250	$500	$1,000
One Year Premium	$1,200	$1,000	$500

Insurance companies charge higher premiums to cover higher-risk individuals (for example, a person regularly runs red lights or does not come to a complete stop at an intersection) and events (such as using your car for work purposes) because the risk of monetary loss is greater for these individuals and events. Some individuals experience higher risk from situations or conditions that they cannot control. For example, a person living in an area that involves higher incidents of auto theft may have higher premiums than a person living in an area that involves fewer crimes.

Insurance policies that guarantee higher levels of payment in the event of a loss (coverage) have higher prices. People who do not have a lot of money may be forced to purchase policies with lower coverage because they cannot afford higher premiums. Along with that lower premium comes a higher risk of payment in the event that one has to file a claim because of an incident. We will say that you have a claim and the total cost of related expenses was $3,000. The insurance company pays for the costs, minus the cost of the deductible, which you pay. The table below displays the total amount of money that you spend during the year. While insurance companies vary in the rates that they charge, we see that the convenience of a lower premium may be costly if one has to file a claim for a significant amount.

Table 5.4. Relating deductibles and premiums

	Deductible Options		
	$250	$500	$1,000
One Year Premium	$1,200	$1,000	$800
Deductible	$250	$500	$1,000
Total Cost	$1,450	$1,500	$1,800

The lesson to be learned is that lower premiums save money in the event that you do not need to file a claim; however, if a claim needs filing, the cost of coverage increases. When you accept more responsibility for the risk associated with the assets that you value, insurance becomes less of a convenience.

Imagine that you have a household budget that involves a very low amount of income. You need insurance, we will say automobile insurance; however, you can only afford a high deductible and a low premium policy. You could attempt to live without the item that you are insuring; however, that item is essential to the lifestyle that you pursue. What would you do? The answer is not a simple one.

The above paragraph describes a basic situation that represents a difficult situation in which to make a decision. To what extent is the item that you want to insure essential to your style of living? The answer to that question lies within your concept of personal self-worth and its basis.

Here are some questions to ask: (1) what is the total financial expense associated with the car that you wish to purchase and insure and to what extent does the income gained from the car justify the expense? (Remember that your first question is whether you actually need the insured item.) (2) What policy terms and conditions are essential to the insurance protection needed? (3) How do costs and terms of policies offered by various insurance compare to each other?

If you are thinking that the decision represents a complicated one, you are correct. Financial choices have social and human consequences.

Imagine that with the car represents an essential element to providing one with a steady income; however, a person is paying money for expensive individual health insurance because he or she works for an employer with a small number of employees and does not offer group coverage (which would provide much lower premiums). The person has a relatively low premium afforded through choosing the high deductibles; nevertheless, he or she expects to still have high medical bills because of frequent visits to the doctor due recurring illnesses.

Consider the following options:

- Attempt to continue without health insurance. (While being uninsured with regard to health insurance is generally not an option in most locations because of legal requirements, this option is provided because one always needs to think about whether the insured item is a necessary item, whether it is worthy of coverage, and whether there are alternatives for protecting this item without insurance.)
- Continue with the current situation and risk policy cancelation because of maximization of benefits or failure to pay the premium.
- Look for another policy that offers better coverage at lower costs by finding another employer who has more employers and offers health insurance.
- Maintain the current situation temporarily while going to school or receiving job training to find another job that provides safer working conditions, better pay, and better health benefits.

Which of these options would you choose? How does your perspective of the situation and the way that you feel about your personal self-worth, your income prospects, and your medical expenses affect the decision that you make? If you are reading this text with your classmates, conduct a survey and list how many classmates would choose each option. How many classmates would decide to do something else? List that alternative, too, and the number of classmates choosing it. Now, ask your classmate to express his or her feelings about the respective option that he or she chose and work together to chart responses. What did you find?

Our senses of personal self-worth affect the extent to which we are open to different ways of decision-making. When we think compassionately, we are comfortable with our own strengths and weaknesses and experience receptivity towards the views of others. When we are angry, our brains tend to protect us and we limit our acceptance of different thought processes or points of view. Anger is a good feeling that protects us temporarily; however, it can harm our patterns of thinking and relationships with others if we allow it to stay with us for long periods.

Remember how we associated our feelings and sense of inner worth with our views of personal finance? Money is a tool that enables us to acquire the essential needs for living; however, when its accumulation becomes such that we define ourselves by the things that we own, we become distracted by the inner elements that give us value. In other words, a person is not a great person because he or she owns a three-bathroom, two-bath house with a swimming pool. A person is a great person because he or she compassionately respects the views of others who work to build a safe and caring community, regardless of the material resources that he or she controls.

Remember that insurance companies are financial businesses. They are like banks and credit unions (often called depository institutions) in that they buy and sell money, making a profit on the differences in interest earned and paid. They are different from banks and credit unions because their forms of income and expenses differ from depository institutions. Insurance companies sell security/peace of mind/protection from misfortune. The customers pay premiums for this security. Premiums comprise the largest portion of income to an insurance company. They analyze the outcomes of individuals who face similar types of risks to create insurance contracts (policies).

By collecting a relatively small amount of money, called a premium, from each policyholder on a regular basis, the company creates a pool of funds to compensate those individuals who experience a large loss. Their profits come after subtracting the expenses for paying regular operation costs plus money for claims filed by their policyholders. When policyholder experiences a large loss, the policyholder files a claim against the policy. The insurance company may pay or deny the claim. Common reasons for claim denials are incidents uncovered by the policy and failure to pay premiums.

Losses (or the amounts paid on claims) represent the largest portion of expenses to an insurance company. The insurance company makes its profit by collecting as much premium as it can from policy holders and reducing the claim expenses that it pays out on those policies. The decisions are based on legal contracts (insurance policies) designed to reflect the company's best legal and financial interests.

REDUCING THE RISK

The second strategy for reducing the convenience of insurance involves abandoning the source of risk and finding an alternative to the good or service that puts you at risk. For example, rather than living with the convenience of owning and using a car, one could consider transportation that is less convenient, such as walking, bicycling, or riding public transportation. These modes of transportation require more time and effort to transfer you to your destinations. At the same time, they may cost less to operate. Depending on your mode of travel, the chosen alternative may provide health benefits as well.

Consider a bicycle, which costs $100 to $200 to purchase. It involves no gasoline, no insurance, and comparatively inexpensive repairs relative to a car. What's the tradeoff? The lack of heat or air-conditioning, radio, and protection from the elements and from other drivers represent some conveniences to ponder. A compromise might be to use a bicycle for most local transportation needs and to maintain a car to use sparingly for long trips, in severe weather, or to transport large numbers of people.

The third and final strategy for lowering insurance costs involves developing a safe and peaceful community where people respect each other's resources and mutually care for each other's items. This may represent a very different idea from modern society; however, its principles are applied in groups that meet to share resources in order to purchase insurance policies. In addition, communities, such as the Amish, support other in terms of family crises. The basis for this thinking lies in compassion, which involves empathy for conditions that another person might experience.

Consider application of this concept in your school classroom where the learning process typically represents an individual effort in which cooperative teaching-learning strategies occur to increase individual achievement. Group activities and discussions occur; however, assessment relates to the individual's achievement in relation to a standard.

In a safe and peaceful community, members support each other. When one member of the community struggles, other members of the community work with that individual to provide assistance necessary to build self-reliance. This differs from a system that blames individuals for failure. It acknowledges a system based on compassion and involves cooperation wherein differences represent bases for support.

How might one implement this strategy? It represents a long-term process that begins with appreciating one's personal self-worth. Remember that we have discussed this matter throughout the text.

Personal self-worth is different from financial worth. It does not depend on how much money you have, the number of friends you have, or the fineness of your clothes, house or car. It relates to compassion for oneself. When one doesn't feel a need to own or control objects or people, one has a genuine sense of self-worth. At the same time, one does have the ability to still resist unsafe situations that may invite harm. For example, consider situation in which a group of acquaintances invites you to go spend the evening at a local bar. Drinking excessive amounts of alcoholic beverages may cause one to talk or act in impulsive ways that are disrespectful to others. Declining the invitation ensures that you avoid an unsafe experience and enhance your self-respect for protecting who you are.

Realization of personal self-worth represents the first step towards developing communities based on trust, care, and compassion rather than the control and allocation of financial and material resources. Used in a caring and compassionate way, money serves to reduce the risk of hurt or harm to all community members. Management of that risk involves the development of compassionate and supportive responses to situations that involve damage to property and persons.

As an example of this principle of compassion and care, consider your use of the Internet. Social networking sites and other online activity can make individuals vulnerable to harm caused by identity theft or misuse of their personal information. When using the Internet, one may be very easily lulled into a false sense of security, unless he or she takes the necessary precautions.

Specialized forms of coverage, such as identity protection insurance, are very expensive forms of insurance that protect one from losses that could be avoided by simply adapting a cautious lifestyle. While laws and regulations exist to protect consumers from a variety of seller and lender abuses, including those of insurance companies, the best protection from seller and lender abuses is to be informed about (a) whether you really need the product or service to be purchased, (b) the person or company from whom you are purchasing, and (c) the risks associated with the good or service purchased.

SELF-INSURANCE

Self-insurance exists when an individual accepts a risk and saves money on a regular basis to cover a potential loss. Self-insurance can be very expensive if the individual needs to protect large quantities of assets. People have different abilities to undertake the self-insurance option, as determined by their life circumstances.

Imagine that Toni owns a valuable car and wants to manage the risk that it might become damaged or stolen. Toni considers that car's market value (what someone would pay for the car if Toni tried to sell it) and decides that self-insuring makes more sense than paying an insurance company for coverage. Toni reasons that the balances in her bank account are sufficient to cover the cost of the car in the event of the car's loss. How much money should Toni have in order to choose this option?

Suppose that the car has a market value of $4,000, and Toni has $4,000 saved in her account. Does Toni have sufficient insurance? Think about the possible expenses if Toni experiences an accident and does not have insurance coverage. There are financial consequences if Toni is at fault in an accident and has to pay for damages to the other vehicle. There are financial consequences if an injury occurs to the other party and Toni has the responsibility for medical expenses. Self-insurance requires that one possess an ample volume of financial resources to address any potential contingencies.

ONLINE ACTIVITY

We conclude this chapter with a short discussion about technology access and social networking processes. In a sense, we are concerned with your social insurance—i.e. protecting yourself from harm at the hands of others.

Earlier in this chapter, we discussed the steps that one takes to protect personal self-worth. Ideally, you exercise care in selecting the people that you choose to be your friends. Because they provide you with a sense of your personal self-worth, you need to be discerning in the friendships that you maintain. There is an adage to the effect that it is better to have one good friend than associations with many people who say they are your friends. When it comes to your personal self-worth, being selective about social relationships represents a form of risk avoidance that leads to a safe lifestyle.

Social networking sites and other online activity can make individuals vulnerable to harm caused by identity theft or misuse of their personal information. Why might this situation occur? Because social networking challenges you to reveal information about yourself that you would resist disclosing in a face-to-face setting. As with any form of social networking, online environments bring together people who are safe and people who are not safe. Perhaps the best analogy is that an online networking experience is much like going to a bar. There are different websites that offer different forms of social networking opportunities; however, there are some people who are responsible and some who are not. In terms of your personal self-worth, your responsibility would be to avoid these situations or at least regulate your experiences so that they do not distract you from more important aspects of your life, such as your family, your schoolwork, and your friends.

What about your friends online? We encourage you to be very careful who you label as your friends, particularly online. There is much room for decision with respect to online experiences, even when attempting to verify safe persons. The healthiest relationships online are with those people who you and your parents know very well as being safe in face-to-face settings.

When using social networking sites, you should never give any personal information, such as your phone number, address, family information or financial accounts to anyone, even if they offer you theirs as a manner of building trust. Remember that while trust is something given, not earned, you should give it prudently. It is better to be safe by saying "No", then to risk your personal self-worth by saying yes. Be safe and protect your personal self-worth.

As you do so, feel sad for those from whom you have to protect yourself. Often, people who attempt to take advantage of others have been taken advantage of. You need to protect yourself from such persons until your sense of personal self-worth is such that you can interact with these people in ways that are healthy for them and you.

REGULATION

Finally, we will consider laws and regulations and their role in relationship to insurance. Laws and regulations exist to protect consumers from a variety of seller and lender abuses.

As we have discussed, people experience and practice varying degrees of integrity. Concerning insurance, sales representatives may recommend improper coverages, or companies may not honor their claims. Unfortunately, when consumers lack firm understandings of appropriate financial recommendations or strategies, they may depend on sales representatives for advice.

We encourage you to research the websites of your state insurance commissioner, or comparable state official, beginning by clicking on the appropriate state on the map at http://www.naic.org/state_web_map.htm. Find out about what programs and services are available through your state government and how they can protect you from potential abuses that may result from insurance sales.

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FINANCIAL LITERACY BENCHMARKS

4th Grade

Conventional Standards	Compassionate Standards
Risk is a part of daily life.	Risk to personal self-worth and to financial worth is part of daily life.
People have choices for dealing with risk.	The choices that people have for dealing with risk relate to the living conditions that they receive at birth.
Risk is the chance of loss or harm.	Risk is the chance of loss or harm. People experience different amounts of financial risk because of the life conditions that they experience.
Risk from accidents and from unexpected events is an unavoidable part of daily life.	Risk from accidents and from unexpected events is an unavoidable part of daily life. People may experience more risks from accidents than others if they live in particular social contexts over which they have no choice.
Individuals can either choose to accept risk or take steps to protect themselves by avoiding or reducing risk.	Individuals can either choose to accept risk or take steps to protect themselves by avoiding or reducing risk. The risks that people accept are influenced by the conditions of their origins and their patterns of personal self-worth.
One method to cope with unexpected losses is to save for emergencies.	One method to cope with unexpected losses is to save for emergencies. A person's ability to save for emergencies depends on his or her life resources and sense of personal self-worth.

8th Grade

Conventional Standards	*Compassionate Standards*
Risk management strategies include risk avoidance, risk control, and risk transfer through insurance.	Risk management strategies include risk avoidance, risk control, and risk transfer through insurance.
Personal financial risk exists when unexpected events can damage health, income, property, wealth, or future opportunities.	Personal financial risk exists when unexpected events can damage health, income, property, wealth, or future opportunities. A person can make take steps to reduce personal and financial risks.

(Continued)

Conventional Standards	*Compassionate Standards*
Insurance is a product that allows people to pay a fee (called a premium) now to transfer the costs of a potential loss to a third party.	Insurance is a product that allows people to pay a fee (called a premium) now to transfer the costs of a potential loss to a third party. A person can lower or reduce insurance costs by reducing or eliminating the need for insurance.
Insurance companies analyze the outcomes of individuals who face similar types of risks to create insurance contracts (policies). By collecting a relatively small amount of money, called a premium, from each policyholder on a regular basis, the company creates a pool of funds to compensate those individuals who experience a large loss.	Insurance companies sell security/peace of mind/protection from misfortune. The customers pay premiums for this security. Premiums comprise the largest portion of income to an insurance company. They analyze the outcomes of individuals who face similar types of risks to create insurance contracts (policies).
	By collecting a relatively small amount of money, called a premium, from each policyholder on a regular basis, the company creates a pool of funds to compensate those individuals who experience a large loss. When a policyholder experiences a large loss, the policyholder files a claim against the policy. The insurance company may pay or deny the claim.
Self-insurance is when an individual accepts a risk and saves money on a regular basis to cover a potential loss.	Self-insurance is when an individual accepts a risk and saves money on a regular basis to cover a potential loss. Self-insurance can be very expensive if the individual needs to protect large quantities of assets. People have different abilities to undertake the self-insurance option, as guided by their life circumstances.
Insurance policies that guarantee higher levels of payment in the event of a loss (coverage) have higher prices.	Insurance policies that guarantee higher levels of payment in the event of a loss (coverage) have higher prices. People who do not have a lot of money may be forced to purchase policies with lower coverage because they cannot afford higher premiums.
Insurance companies charge higher premiums to cover higher-risk individuals and events because the risk of monetary loss is greater for these individuals and events.	Insurance companies charge higher premiums to cover h igher-risk individuals and events because the risk of monetary loss is greater for these individuals and events. Some individuals experience a higher risk from situations or conditions that they cannot control.

(Continued)

Conventional Standards	*Compassionate Standards*
Individuals can choose to accept some risk, to take steps to avoid or reduce risk, or to transfer risk to others through the purchase of insurance. Each option has different costs and benefits.	Individuals can choose to accept some risk, to take steps to avoid or reduce risk, or to transfer risk to others through the purchase of insurance. Each option has different costs and benefits. The choices that individuals have depend on their life circumstances.
Social networking sites and other online activity can make individuals vulnerable to harm caused by identity theft or misuse of their personal information.	Social networking sites and other online activity can make individuals vulnerable to harm caused by identity theft or misuse of their personal information.

ACTIVITIES

Activity 1

Life insurance involves the payment of a sum of money to a policy holder or his/her beneficiary in the event of someone's death (i.e. the policy holder or someone else). Individuals often purchase life insurance to provide money to their surviving family members or loved ones to replace lost income in the event of death or to help with funeral costs. Businesses may also purchase life insurance policies for their officers to compensate for the costs associated with losing their officers' expertise. Insurance companies price their life insurance premiums based on the chance that someone will die of natural causes.

The Genetic Information Nondiscrimination Act of 2008 (http://www.eeoc.gov/laws/statutes/gina.cfm) prohibits health insurance providers and employers from discriminating again individuals based on information that relates to their DNA; however, the law does not extend these prohibitions to life, disability and long-term health insurers. To what extent do you think that insurance companies are justified in making decisions based on this information? Use information from this chapter to support your opinion.

Activity 2

Humankind's influence on the global environment (e.g., water, soil, and air pollution) and its role in prompting climate change represents a well-documented phenomenon. To what extent do you think that the purchase of insurance can be used to guarantee the purity of the natural environment? Use information from this chapter to support your decision.

Activity 3

Many life insurance experts advise their customers to purchase a life insurance policy with a benefit of 10 times the amount of one's annual income. For example, if you earn $40,000 per year, you should purchase a policy that would pay your beneficiaries $400,000. The reason for this advice is so that your families can use interest earned from the policy amount to replace income lost from the insured's death.

Consider that three individuals, all with families, need life insurance. Person A earns $30,000 per year; person B earns $100,000 per year; and person C earns $500,000 per year. Answer the following questions:

- What are the amounts of the policies that each person should purchase?
- How would you describe the financial worth of each of these individuals?
- Do you have enough information to interpret the personal worth of each of these individuals? If so, explain why. If not, explain what additional information that you require.

Activity 4

Your employer provides you with three health insurance plans from which to choose. You are single, live a safe and healthy lifestyle, and are in good health. You hope to have a family someday. Decide which of the following options you might select and explain your decision.

Plan A: Self-insurance administered by Bestbuds Heath Experts. In this plan, you pay a monthly premium of $200, which is matched by your employer. The matched premiums accumulate interest at a guaranteed rate of 3%. Any medical expenses that you incur (e.g., doctors' visits, prescriptions, lab tests) are paid out of this policy. Essentially, you are setting up a savings account where you set aside $400 per month from which you can only pay health and medical expenses.

Plan B: Offered by Shot-in-the-Dark Health Providers. You pay a monthly premium of $150. You have a $25 copay to visit your doctor for routine matters and a $35 copay to visit a specialist for concerns beyond your doctors' field of expertise.

Plan C: Warm Blanket Coverage provided by Needling U. Health Insurance You pay a monthly premium of $200. You have a $15 copay to visit your doctor for routine matters and a $25 copay to visit a specialist for concerns beyond your doctors' field of expertise.

- Discuss which option you would choose and explain your selection based on the information in this chapter.

Imagine that six months after you select your insurance plan, your employer requires that all employees have a physical. You go to your doctor, who charges $100 for an office visit and $150 for lab work. During the physical, your doctor finds that your blood pressure is high and provides a prescription that costs $100 for a 30-day supply of medication.

- Compare the expenses associated with each plan and determine which plan is the most affordable for you under these new circumstances.
- Based on your comparison of plans and associated expenses, do you think that a person in different medical circumstances should select the type of plan that you selected? Explain your answer based on information discussed in this chapter.

Activity 5

When creditors make loans, they often attempt to sell the borrowers insurance products designed to pay off the loans in the event that the borrowers die or become disabled before the loans become due.

- Discuss with your classmates the advantages and disadvantages that you think may relate to this type of insurance. Explain your reasoning for purchasing or not purchasing the insurance.
- Credit insurance is available for risk of loan nonpayment associated with life and health. It is not available for risk of loan non-repayment in the event of job loss or pay reduction. To what extent do you think lenders should make this type of coverage available? Explain your decision based on the information in this chapter.

CHAPTER 6

CREDIT AND DEBT

Reflect on the five groups of 20 individuals that received different amounts of income described at the outset of Chapter 2. They control different sums of money from each other, which provide them with different amounts of access to various resources. The amounts of wealth that people experience may shape their outlooks on life and their reasoning about life contexts. Some of these 100 people have plenty of money to acquire things they want or participate in events that they wish. On the other hand, some of the others have very little money as compared to things and events they want to acquire or attend; so realistically speaking they do not have the money for doing so. In the next two chapters we will consider the costs and benefits of borrowing and lending money. This chapter considers borrowing and learning from the point of view of the debtor. Chapter 7 presents the topic from the point of view of the creditor. The absence of the abundance of money is not something that is great or terrible. Rather, it is how people think of themselves that affects how they view money and the way they use it.

The wealth disparity among the 20 individuals presents a couple of problems. In terms of personal self-worth, people may have more favorable or unfavorable views of themselves (or of you) because of the amount of wealth they control. This is unfortunate because people are people, regardless of the amounts that they control. In terms of net financial worth, the disparity in the amount of wealth that they control prompts them to feel superior or inferior because the money under their control shapes their views of their social position. The differences in the amounts of money cause a sense of control among the affluent with regard to access to material resources. Thus, for example, one perspective of affluence may justify control of vast resources through the notion of merit and extend this rationale to limit access to resources by those of less privileged status. These individuals may view life as guided by principles of financial worth. They attribute financial accumulation to personal choices and their financial liabilities to environmental factors. The people holding the largest sums may claim that they somehow earned their funds through some common traits that they may possess. Those having similar amounts may reason that some external factor prompted their disadvantaged situation.

People with compassionate senses of personal self-worth value themselves for who they are. Their sense of worth does not depend on money, but rather, it relates to valuing the stories that define themselves. Developing a compassionate view of self allows individuals to become open to the different stories of others and to care about their life stories.

This chapter concerns credit and debt. In previous chapters we distinguished between personal self-worth and net worth. This distinction also relates to credit and debt. Before we discuss these concepts further, it important to consider how spending decisions relate to borrowing decisions and perceived needs for credit and debt. Whether or not one has a strong sense of personal self-worth, one may manage money in ways to minimize the need for credit and debt. Personal self-worth involves a sense of personal value. It does not depend on the amount of money that one controls. The key consideration when it comes to credit and debt involves whether one (1) needs the item that causes the need for credit or debt, (2) needs the item immediately or later, and (3) considers all sources of funding before pursuing credit. We will consider these issues a bit further, keeping in mind that the fundamental basis for making decisions involves whether one truly needs the item causing the pursuit of credit and the encounter with debt.

For now, we will present some basic concepts and provide a simple example to introduce the topics and offer questions to give opportunity for deeper reflection. After this introductory material, we offer instructional content that explains the reasons for credit, explain its processes, and describe its forms.

We begin with the dollar. A dollar is a rectangular sheet of paper or a coin. Not much to get excited about. It has shape, it has texture, and it has some degree of visual appeal. It even has a smell. It is simply a thing. Yet the dollar bill also has transferability. The dollar bill represents something of interest because everyone recognizes it as something that can be traded for goods and/or a service. So, a person who has one dollar bill can go just about anywhere and acquire something for personal use. We will say it is a cookie dough ice cream cone on a summer day. The dollar, itself, is something exchanged for a good or service.

Now, your friend has ten, one dollar bills. Jodie loves ices cream, so much that Jodie has saved a lot of money and has $10 ready to spend. Lucky Jodie! But wait, Jodie knows there are hungry children in the neighborhood who want ice cream, but have no money to buy it. Jodie has money that children can use and will let them use the money. The condition is that the children should they pay Jodie back, plus pay Jodie extra money in additional to what they borrowed.

So, for example, Lee wants an ice cream cone, mint chocolate chip. Jodie gives Lee a dollar for the ice cream cone, with a promise that Lee will pay Jodie the dollar plus a dime back in a week, to pay Jodie for the cost of not having the money for that period of time. Because Lee does not have money for the ice cream, Lee has to temporarily use money from Jodie for the purchase.

You may begin to wonder about this situation. Why charge the extra dime (which represents interest on the loan)? Why ask for repayment at all? So you should ask these questions. We will review from earlier chapters and consider this situation in terms of financial and personal self-worth.

Remember that we defined personal self-worth as what you think of yourself in absence of other objects or people. It does not relate to the things outside of yourself.

Your sense of who you are does not depend on the amount of money you have, the person whom you are dating, or the music to which you listen. It is based upon an appreciation of you. Financial worth represents the total value of things that you control: your debts, your bicycle, the money in your bank accounts, the souvenir that you purchased on your family vacation.

We will return to Jodie and Lee before we have a puddle of melted ice cream with which to deal. If we are discussing development of financial worth, Jodie's charging of interest represents an example similar to what occurs when financial institutions lend people money for different reasons, such as to purchase cars or houses.

If we are discussing the development of personal self-worth, at least two considerations arise as to how the parties involved with the transaction may amend their thinking to foster a more compassionate environment. First, Lee could realize that purchasing the ice cream does not affect personal self-worth and could delay the purchase. Lee's reasoning would be that personal self-worth does not relate to the ice-cream and locate a substitute. Second, another possibility is that Jodie could recognize that an additional dollar does not increase one's personal self-worth and could simply give Lee the dollar as a gift without expectation of repayment.

We offer another way to distinguish between personal self-worth and financial worth. Financial worth represents the total of objects that you control. The financial worth of another person involves the total value of objects that a person controls. Personal self-worth involves your valuing of yourself, such that you do not represent the object of another. Nor does the other person represent an object for you. You are not a tool for someone else's social benefit, nor are they a tool for yours. When considering credit and debt, we defined it as the use of someone else's resources with the understanding that the money borrowed will be repaid.

You might consider that credit represents a tool that allows you to spend money to possess items that you could not otherwise obtain. For example, if you want to purchase a car and don't have the funds in hand or in your bank accounts, you need to find someone who will loan the money to you with the promise that you will pay him or her money later. A question that relates to your personal self-worth might be whether the item for which you seek credit really reinforces the inner sense of who you are? The answer to the question may very well be "No"! It may be possible to address your transportation needs without purchasing a car, or without purchasing a car that requires you to pursue credit. Consider why this may be.

In terms of financial worth, ponder the long-term effect of accepting credit to purchase an item that loses value (depreciates) with time. Because new cars tend to depreciate more quickly during their first couple of years of use, you should be cautious that your payment schedule on related credit ensures that the value of the car stays greater than the balance on the loan.

It may be worth your while to delay the purchase of the car. With this option, you find alternative transportation means until you have sufficient funds to pay for a significant portion of the purchase price, such that any credit comes with the assurance that you have some margin of equity within the vehicle. Equity refers to the amount of money that you would receive if you sold the car and paid off any debt for its purchase.

Finally, with regard to considering all funding sources, most people recognize the importance of comparison shopping to find the most financially favorable arrangement, such as the lowest interest rates. This principle makes common sense to increasing financial worth. If you borrow money at a lower rate, all things held the same, the loan costs less, and you as the borrower always benefit if the loan costs less money. Of course, you could benefit more if you do not need to make the loan.

Imagine that you want to purchase the item to impress your friends. You argue that this purchase represents a method for improving your personal self-worth. Your thought represents a common fallacy of reasoning. Personal self-worth represents an inner quality independent of others. Purchasing a vehicle to impress others represents a process of objectification. It makes the purchaser an object of admiration for association with the purchased good or service. It makes the audience the basis for objectification. The purpose of the purchase is to please the audience, rather than develop oneself. In other words, the situation represents one of control. The financial decision relates to efforts to please or impress others, rather than value one-self.

In terms of personal self-worth, one should consider how the decision informs choices that respect others as one would him or herself, such that we are not objects of others' control. One should consider the extent to which the lender extending the credit pursues compassionate relationships with the community that it serves. For example, whether the lender has a presence in the low-income portions of the community or makes credit available to members of minority cultures or underrepresented groups. The lending institution supports community savings efforts by offering accounts with affordable minimum balance requirements and fee structures. Officials of the institution are visible in low-income communities learning about financial needs and concerns.

Financial decisions involve elements of care or stewardship. Loan interest represents one of the largest sources of income for a lending institution. A critically compassionate approach to credit and debt requires the pursuit of business relationships with lenders who reinforce the concept of personal self-worth within you. A manner of doing so involves interpreting the extent to which they reinforce the concept of personal self-worth in others. A financial institution that pursues relationships in low-income communities has a powerful sense of personal self-worth among its prospective customers and values their financial needs. A financial institution with local ownership that values executive community involvement may also reinforce a sense of personal self-worth. Obtaining credit from such institutions, even if the interest rates may be a little more expensive than the competition establishes a healthy relationship that may reinforce your sense of personal self-worth and relationship with the neighborhood. In regards to credit and debt, personal self-worth involves respect for oneself such that one can engage in financial processes that respect you for who you are, rather than for your financial capability.

Discussion Questions

- When was a time when you may have borrowed something or received credit or debt? What was the item or service that prompted the debt? What were your responsibilities and obligations towards the creditor? To what extent would you consider going through the same process again?
- What is your sense of personal self-worth when you owe something to another? What is your sense of personal self-worth when someone owes you something? What are the bases for your feelings? How may your feelings change when you consider the reasons for the other party's position?
- Think back to the distribution of resources to the 100 persons. How does the manner by which those resources were distributed relate to the needs for lending and borrowing? How might it affect reasoning with regard to those who possess the money? What about those who need the money?

CREDIT AS A TOOL

A healthy purchase decision involves three steps. The first determines whether one needs the item considered. If the item is needed, the second step considers the best manner by which one purchases the item(s). Ideally, when we need something, we have a reserve of funds available to buy what is needed. The third step contemplates the social consequences associated with making a transaction.

Credit is a basic financial tool to acquire goods and services for which a person does not have or does not want to use cash. Borrowing money to buy something usually costs more than paying cash because creditors charge money for credit (interest). Interest is the price the borrower pays for using someone else's money. The lender determines the interest rate for a loan. A borrower needs to acquire additional money to pay the interest on money borrowed. Interest paid to the lender is the cost for the use of the money. This fact leads us to the idea that the charging of interest to loan money rewards people who have money and punishes those who do not have money.

When people use credit, they receive something of value now and agree to repay the lender over time, or at some date in the future, with interest. The lender expects that the borrower will have a plan and the resources to repay the loan.

To illustrate these ideas on a basic level, we will revisit the ice cream scene with Lee and Jodie. Jodie is tempting Lee to borrow money to purchase the ice cream. Consider this chapter as viewing the possibilities from Lee's perspective. Lee wants ice cream and for a very good reason! We will consider Lee's alternatives.

First, Lee can give in to temptation. This would be convenient. The ice cream is there and Jamie has a dollar ready for the taking, with a small price tacked on to the repayment.

Second, Lee can say "No" to Jamie, run home and take a dollar from the piggy bank. This is less convenient and provides the ice cream. This choice takes more time, and therefore is less convenient, yet Lee gets ice cream and avoids the credit, as well as the possible interest which means he will owe more money than he borrowed.

Third, Lee can say "No" to Jamie and pursue a water fountain or even ask the ice-cream vendor for a small cup of water. This may be socially awkward, but it is financially savvy and represents the correct answer. Why so?

The ice cream represents a tool for cooling oneself during the summer. It tastes great and can be filling (especially with a waffle cone). However, a cool drink of water costs less or practically nothing. What about all your friends having ice cream? Let them. Why do you have to eat what your friends eat? It is okay to be different. Personal self-worth does not depend on doing the same thing as others. Indeed, when it comes to money, the opposite often represents the situation. Many people do not make good financial decisions because they do not like the inconvenience. Ask yourself which of the three above situations best develops Lee's sense of personal self-worth.

Think back to or reread the previous chapters that related to money management and their coverage of the price of convenience. When we take short cuts with our money, it costs more than when we take time to fully consider the situation and respond deliberately.

Imagine that you are Lee. All of your friends decided they wanted ice cream! Good for them, let them enjoy it. Jamie had money and lent it to them. Thank you Jamie! But now, consider that each person has a loan plus interest to repay. Do all those borrowers have the money or will they get money to repay Jamie? Jamie has the potential to get money back from everyone plus the interest. Yet Jamie may have difficult choices when it comes to those who cannot or will not pay Jamie back.

You decided on water. You do not have a debt. You do not have to worry about owing Jamie money, so you can use your own money for different purposes. You also retained your sense of personal self-worth because you resisted an opportunity to be influenced by Jamie's effort to be financially manipulative. It was inconvenient to say "No" to ice cream; however, you do not have a debt and you did not spend your own money.

Everyone else acted impulsively to purchase ice cream. They have debt. You said "no" because you knew that ice cream was simply a tool to cool you down. Water did just that and was healthier for you as well. You can have fun drinking water just as you can when eating ice cream. You experienced some inconvenience; yet you acted wisely; however, you did not follow the crowd.

Consider this situation from a perspective of control. Commercially produced ice cream may contain many additives and sweeteners designed to appeal to your sense of taste. Your perceived need to purchase the ice-cream may relate to conditioning of your taste preference through repeated exposure to these chemicals and sweeteners. Advertisements in media influenced your thinking in a way that makes you consider ice-cream as the fun way to cool down on a summer's day. Previous chapters identified marketing as a strategy to convince consumers to purchase something.

Commercially produced ice cream represents one such product. Food is not the basis for a good social experience, people are the basis.

We will review. By saying “No” to Jamie, you avoided (1) being subject to Jamie’s control of you and your money and (2) having your tastes controlled by the manufacturer.

So, why do most people not make good financial decisions? They make decisions because they decide impulsively, without thinking. Consider your budget from the last chapter and how those decisions are made at a desk in a calm manner. Now think about the ice cream purchase and the impulse associated with the choice. Imagine Jamie saying “Come on! Have some ice cream! I’ll give you money and you can pay me back later.” You are under pressure to make a financial choice that may not have been part of your budget or spending plan.

How might Jamie answer if you say “No”? If Jamie accepts your answer of no, you may appreciate Jamie for respecting your answer. However, it is possible that Jamie may not respect your answer. Jamie may tease or taught you. Jamie may say other things to make you feel bad for turning down the offer. In this case, you know you made the correct decision because Jamie is trying to control your choice. Jamie is attempting to manipulate you into a decision that you do not want to make. Very often, people who contact you to give you a good deal are not acting in your best financial interest. They are acting in their financial interests. Jamie is offering to give you money for fun (ice cream) but there’s a cost. A week after the event, Jamie has you repay plus some interest. The others have the memories of ice cream and some may continue to have debt.

Think about the current music artist to which you enjoy listening on your MP3 player. You learn that the artist is on a world tour and that the local concert will provide you with the final opportunity to see the person perform live. Think carefully about this situation. The “special” tour represents a ploy to convince you to buy the ticket. Does going to the concert improve your personal self-worth? It might; social experiences inform us about who we are. The answer depends on your relationship to friends, the concert and the artist. If you enjoy the music and respectfully interact in safe manners with your friends, you are secure in your personal sense of self-worth. If you become obsessed with the artist and the music or you depend on your friends to enjoy the opportunity, there may be some concern. Is going to the concert fun? It may very well be. Should you borrow money temporarily for the concert if you don’t have it? Not a chance. The artist or the artist’s promoter is manipulating your thinking to lead you to believe that you will experience a better life because of the attending the concert.

The first principle of credit and debt relates to choices with regard to money management. The least expensive manner to pay for a good or service is to pay with cash. Credit and debt occur when one uses another’s money to acquire goods and services. They are potentially more expensive than cash because of additional fees and charges that may result from their incurrence.

At the same time, the basic principle of credit and debt applies whether you need the item or service purchased. You should consider the difference between your personal and financial worth. When you can say "no" to goods and services, such as ice cream and concerts, you have a strong sense of personal self-worth. When in control of your money, you make decisions based on your needs; when pressured into buying something, he or she becomes manipulated by the good or service that is available. The former instance represents a matter of control; the second is not.

A compassionate approach to financial literacy involves roots in personal self-worth founded upon who you are. When one talks about control in the above sense, he or she talks about having the compassion for yourself such that (1) you can resist the consumer purchases that present you as an object for others' societal gains, (2) you enter into social relationships that are based on your personal self-worth, not necessary financial gain, (3) you stay within yourself such that you do not impose yourself or control the lives of others for your own personal agenda. In other words, a critically compassionate approach involves the compassion for yourself such that you recognize the controlling nature of economic environments, while controlling yourself such that you resist imposing yourself on others. The following story illustrates such a compassionate approach.

> One summer afternoon, on my way home, after a ball game, I stopped in for a cola. I was tired and thirsty, and looked forward to a cold refreshing drink. By now, Mr. B's was like an extension of our family's pantry. We always talked and shared each other's interests. Mr. B. was busy doing something in the back when I came into the store.
>
> "Mr. B, how ya doin?"
>
> He heard my voice and responded: "Hi-ya, Cookie, what'll it be today?"
>
> I stood in front of the cooler. "Just a cold cola to go."
>
> Without coming from the back, he said "Help yourself, Cookie, I trust you."
>
> I opened the cooler and brought out the ice-cold bottle. As I fished in my pockets,
>
> I realized I didn't have any money. I went back behind the counter, and replaced the bottle in the cooler. By this time, Mr. B. came out of the back room into the store and saw me return the soda.
>
> "I thought you wanted a cola."
>
> "I did, but forgot my money."
>
> Mr. B. opened the cooler and brought out the chilled bottle of cola. "Here Cookie, you look like you could use this." Before I could speak, he continued. "Pay the next time you come in," he said. "I trust you."

A few days later, I stopped in and paid him the money, and thanked him.

Then Mr. B handed me back the coins. "Thank you, Cookie, for keeping your word.

You keep this — for when you get thirsty. This one's on me."

(Koch, 1991) [1]

In the preceding story, Mr. B built Cookie's trust through generosity and kindness. Rather than telling Cookie to put back the drink that he could not purchase, Mr. B. expressed compassion for Cookie by providing him with a drink to quench his thirst. He allowed Cookie the opportunity to decide whether to honor that kindness by paying the money back. Mr. B had the sense of personal self-worth such he could let go of the drink that he gave Cookie.

The opposite of trust is manipulation, a concept founded in conditionality and control. It occurs from the perpetrators' limited sense of compassionately founded personal self-worth. He or she manipulates others to find value in him or herself.

CREDIT AND DEBT PROCESSES

This section clarifies the meanings of credit and debt. When we think of a credit, we think of acknowledging something someone has accomplished. For example, you receive credit for turning in a class assignment or in sports a person receives credit for a significant play. We trust the record that something has been done.

Consider the concept of trust. Trust represents that belief, understanding, or awareness among a group of people that members will do what is expected. For example, when you grew up, hopefully you trusted that your parents or older siblings would get you to school on time in the mornings. You knew that you could count on them to do what was expected. You trusted that your family would have a safe place for you to live. Trust means a sense of security that those on whom you depend will do what is expected.

In a previous chapter, it was acknowledged that some families present trust as something to be earned. We feel sad for these settings because they confuse trust with manipulation. Trust represents a concept founded in giving and care. One does not earn trust. One experiences trust.

When a person has a concept of worth that does not depend upon control or possession of other things, you can be reasonably certain that the person is caring and compassionate. Why? The person accepts him or herself for who she or he is. He or she accepts responsibility for his or her actions because he or she is comfortable with him or herself. He or she feels safe when expressing vulnerability because he or she recognizes the acceptability of making mistakes. Mistakes are part of human nature.

When a person has a concept of personal self-worth that depends on control, that person may have difficulty viewing others or acting in a caring and compassionate way. Why? The person has some elements of personal insecurity that require him or her to control situations to fit his or her point of view. This person has difficulty accepting responsibility for his or her conduct, concealing mistakes and blaming others for his or her problems. This person believes conditionally. In other words, he or she will accept a situation if there is some indicator or condition that informs him or her that trusting represents a safe decision. This person considers advantage as something to be earned because he or she lacks an inner confidence and feels the need for some leverage to control the situation.

In an environment of control and anger, trust represents something earned by one who has experienced environments of fear and intimidation. The person has been conditioned through punishments and rewards to respond to and respect the authority of another who controls access to various resources. To this person, trust represents a conditional phenomenon based on a weak sense of self developed through aggressive and intimidating treatment by others.

For one who has experienced environments of care, compassion, and respect, trust represents something given. The person engages in conversations and acts of acceptance. The person developed a sense of inner security because s/he has received care without condition. The person has the ability to regulate or discipline him or herself without promises of punishment and rewards because they are irrelevant to his or her sense personal self-worth. Financial credit involves an environment of manipulation, rather than trust. Those who control financial resources set conditions for obtaining credit in ways that advantage their social position.

A credit is a financial relationship where one person or party gives money to another with the expectation that the money will be repaid over a certain period. The creditor believes that the borrower will pay the money back under the terms established by the creditor and agreed to by the debtor. How often have you told a creditor that you do not agree with terms of a credit arrangement? Interest is charged as a cost for borrowing the money. Think of this as if the borrower were temporarily buying money from the lender. Do you need to buy $100 and pay it back in a year? Someone who has the money will sell it to you. The cost is six dollars, or 6 percent, for every 100 dollars that you buy. Interest represents the cost of borrowing the money. Lenders generally tell consumer borrowers the price for their credits. An interest rate is the price of using someone else's money expressed as an annual percentage of the loan principal.

In the view of lenders, borrowers who repay loans as promised demonstrate that they are worthy of getting future credit. A reputation for not repaying a loan as promised can result in higher interest charges on future loans. There are a variety of planned and unplanned reasons why borrowers may not repay loans. They range from irresponsibility, to relocation, to loss of job, illness, and others.

Credit is financial trust. What is debt? Debt is the amount of credit that a person has outstanding or needs to repay. So, for example, Slim Jim has a thin wallet and walks around town all the time. Jim wants to purchase a Weinermobile, just like Oscar Meyer drives. In an effort to catch up to Oscar, Jim goes to the Peoples Bank of Snacktown and seeks a loan. The bank musters together its finest loan officers and decides to lend Jim $20,000 for the vehicle. Jim has a $20,000 credit with the bank. Jim also has an unpaid $20,000 debt. Time goes by. Jim relishes his new set of wheels and pays the debt down to $10,000. Now Jim has an unpaid debt of $10,000 that resulted from the $20,000 credit. Do you recognize the difference between credit and debt?

To review for clarity, credit is an agreement between borrower and lender. The lender trusts that the borrower will repay the money under the terms agreed upon. Debt is the amount owed the creditor for the ability to borrow the money. Interest is the cost of the money that the creditor has temporary sold to the borrower. That is quite a smorgasbord to digest. We will consider more examples before we leave this discussion.

Lana Lou loves linguini. Lana Lou loves linguini so much that she wants to share her passion with the community and earn a little money at the same time. Lana Lou uses her noodle and decides to open a restaurant. She conducts some research and decides she needs about $50,000 start-up costs to get the business going. She contacts her friend, Al Fredo, at the bank. Al discusses the matter with his head lending officer, Mary Nara, who views this opportunity as good for the bank and the community. Lana Lou graciously signs the $50,000, five year, credit agreement at 5% interest. The loan will be paid back in five annual payments of $10,000 plus interest. The business runs smoothly and she makes her first two payments. We will consider our vocabulary and how they apply to this situation.

What is the credit? The credit is for $50,000. Remember that the credit is the amount of trust agreed upon. What is the debt? Each year the debt reduces by $10,000. The first two years, Lana Lou makes her payments (total of $20,000). Taking the credit of $50,000 and subtracting the payments of $20,000 provides a debt balance of $30,000. What is the interest amount? Presuming that the interest is compounded annually, Lana Lou will owe about $1,500 this year, in addition to the full payment of $10,000 due on an agreed upon date as determined by the loan contract.

Here is an explanation of the difference between simple and compound interest. Remember the 100 people who received random amounts of money. Some have a lot of money and some have little money. People who need to borrow view the transaction differently from those who are able to lend. That rationale of those who lend the money is that interest compensates for the cost of not using the money elsewhere. In other words, they have a choice among borrowers to lend the money. Lower borrowing rates are charged to those whom the lenders identify as bringing less risk to the transaction. When people borrow money (credit) and pay the money back, plus extra money (interest), those who lend the money reason that interest compensates for the cost of not using of the money elsewhere.

The justification for interest (to pay the lender for the risk of lending the money and the opportunity cost of finding another use for it) represents one created by the lender. The borrower cannot justify it. The borrower can only accept it. The borrower is over a barrel in a manner of speaking, and hopefully not from too many Slim Jims or too much pasta. Why? The lender, not the borrower, determines the terms for the credit contract. The borrower agrees to the terms set by the creditor.

Based on understandings of personal self-worth, the concept of interest lacks justification. It represents a mechanism for social control designed to maintain social order based on notions of privilege. The debtors' mechanism for reducing interest rates lies in reducing the demand for borrowing money. By lessening the need for credit, borrowers invite lenders to lower interest rates. A fully egalitarian environment provides for no interest and no need for repayment.

If we consider interest from a holistic view of the transaction, realizing that ownership of money relates largely to one's social origin and access to information, we notice that interest rewards people who have money and it punishes those who do not have money.

Indeed, one may claim that if the purpose of the loan relates to something other than increasing one's financial worth, then the loan may increase the financial differences between the lender and borrower. People who do not have money are forced to locate extra money to pay others who have money for the use of the money borrowed. People who have money receive more money for lending money to those who need more money than they have.

Research finds that children learn how to manage their money through the modeling experienced in their social networks (Gudmunson & Danes, 2011). If a person originates from a home environment that does not possess many financial resources and cannot resist calls to purchase things promised to make his or her life better, he or she will soon find him or herself controlled by obligations to repay debts to those who lent him or her money.

Sound financial management develops through (1) social modeling, (2) financial knowledge, and (3) compassionate-based personal self-worth. If a person has a strong sense of personal self-worth, rooted in a sense of compassion for himself or herself, he or she can resist the call of others to purchase goods and services that are outside his or her financial control.

Here's an example, Mike owns a lot of money because he comes from a family that already owns a lot of money. Chris has no money because he comes from a family that is poor. Chris borrows money from Mike and has to pay extra money as part of the repayment. In other words, Chris needs to find extra money in addition to the amount borrowed. Chris does not have money and is punished for borrowing because Mike wants more money for the privilege of having money to lend. The rich get richer and the poor get poorer, unless one, the other, or both can resist entering into the credit relationship. We will apply the concept of interest to another instance of borrowing to convey this idea.

What if we substituted a hammer for money? Chris does not have a hammer to nail shingles into a roof on his home. Chris borrows a hammer from Mike. When

Chris returns the hammer to Mike, does Mike deserve some extra nails because he lost the use of the hammer? No, nails are not part of the contract. Has the hammer lost any value in the transaction? No, it has not.

So, why does a creditor demand interest in payment on a loan? Consider all of the possible arguments for charging interest on the loan. To what extent do these arguments involve rationales that reinforce the sense of entitlement in the lender?

One argument claims that the lender needs compensation in the event that the borrower does not repay. Many borrowers repay their loans as promised. Some borrowers intentionally or unintentionally do not repay their loans. One may argue that this failure to repay does not absolve the true financial responsibility of the lender. While the debtor should acknowledge this responsibility, the lender should also possess an obligation to dialogue with the borrower and learn about potentially new circumstances that prevent the loan's repayment and cooperate with the borrower.

One may respond that the creditor does not have this obligation because both parties entered into the contract willingly and need to honor the commitment. However it is possible that the borrower felt desperate for money and pursued the credit because he or she did not have the sense of personal self-worth to consider alternative ways of managing their crisis. While they may have entered the contract willingly, conditions that affected their ability to pay may have changed during the credit period. Working with the debtor to repay or modify the loan represents a compassionate way of helping the obligator to experience financial success. It also builds good will with the community.

If the debtor acts in a deceptive or deceitful manner to misrepresent his or her circumstances, the creditor should consider the causes of the debtor's misrepresentation and whether the debtor possesses the will and resources to remedy the conditions that cause his or her dishonesty.

A creditor that possesses compassionate view of credit and debt recognizes the factors that may prevent repayment and works with the borrower to resolve the situation. Credit represents a matter of human values. When one focuses on money, rather than people, he or she lacks compassion for which people are. A creditor with a strong sense of personal self-worth may extend this compassion to others by forgiving or modifying the debt. From the lenders' perspective, interest is money that compensates for the risk of nonpayment. If the borrower has a history of not paying loans, the lender charges a higher interest rate. Because the lender wants some assurance of repayment in case the borrower defaults on the credit.

On the other hand, interest is a cost to the borrower. The borrower has a burden of having to find more money to repay a loan. If the borrower has a history of not paying loans, the higher interest rate deters or discourages borrowing money, even if the borrower has improved from earlier situations that caused the financial difficulties. A compassionate lender considers the borrower's perspective, contemplates the causes of the behavior and restructures the terms accordingly.

Discussion Questions

- What are some indications that tell you that someone is trustworthy? Explain the reasons that you give. How do the reasons that you give inform your sense of personal self-worth?
- Rate your agreement with the each of the following two statements from 1–5 with 1 being Strongly Disagree and 5 being Strongly Agree.

  1. Interest rewards people who have money and it punishes those who do not have money.
  2. Interest compensates creditors for the loss of their use of funds for other purposes.

  Explain the reasoning for your answers and then share and discuss ratings with your classmates.
  How does your background influence your ratings of each statement?
- Six months ago, Kim borrowed $35,000 from the local savings bank and has not made any of the monthly payments. The loan originally had a five year maturity. Kim has to pay an annual interest rate of 4% on the loan. What is the amount of Kim's credit? How much debt does Kim have? What amount of interest would be due today?
- Sam had difficulty repaying a loan to a bank because Sam was in an accident and could not work for a month. Sam recovered from the accident and expects to return to work in six weeks. In other words, Sam will have been absent from work a total of 10 weeks. Sam has contacted you, the lender, about the situation. How do you respond to Sam?

TYPES OF CREDIT

This section describes some of the forms of credit that you might encounter. It initially focuses on short term loans (credit cards, consumer loans) and long term loans (mortgages and education loans). The benefits of using credit to make daily purchases of food or clothing are short-lived and do not accumulate over time.

Consumers can choose from a variety of credit sources. The range of choices depends on the consumers' financial histories and their access to financial institutions. Lenders charge different interest rates based on the risk of nonpayment by borrowers. The higher the risk of nonpayment, the higher the interest rate charged. The lower the risk of nonpayment, the lower the interest rate charged. Higher interest rates can also prevent weak borrowers from escaping debt difficulties.

We will begin with a credit card as a tool for short-term borrowing. Credit cards were originally created in the 1930s as tools for business travelers to receive temporary credit for their expenses until their employers paid them for their travels (Weatherford, 1997). As society changed, financial institutions issued credit cards to non-travelers (1) to provide them with financial access to purchase additional goods and services (2) as a way of creating more interest income for the banks.

A bank or other financial institution may issue a credit card. One presents the card at the store when it is time to pay for the purchase. When one uses the card, the bank makes a payment to the business for the amount of the purchase. At the same time, one has a credit with the issuer of the card for the amount of the purchase. The debt must be paid by the end of the billing cycle or the lender will charge interest. The interest rate associated with the credit card varies by institution and can be very high. For example, during the summer of 2014, rates for automobile loans ranged from 3–5%, whereas credit cards ranged from 13–15% (http://www.bankrate.com). Further, the bank has the right to call in the balance of the credit card at any time.

A credit card purchase is a loan from the financial institution that issued the card. Credit card interest rates tend to be higher than rates for other loans, in part, because the lender does not have collateral for the loan.

Financial institutions may also charge significant fees related to a credit card and its use. According to the Federal Reserve (http://www.federalreserve.gov/creditcard/fees.html), credit card companies may charge fees for applications, account set-up, cash-advances, and balance transfers that exceed one's credit limit, and increasing credit limits. There are many expenses associated with impulsive borrowing to consider.

Borrowers who use credit cards for purchases and who do not pay the full balance when it is due pay higher costs for their purchases because interest is charged monthly. A credit card user can avoid interest charges by paying the entire balance within the grace period specified by the financial institution. Borrowers having unpaid balances on their credit cards are charged interest based on the average daily balance for the billing cycle. Consumers can save credit card interest by paying their credit card debt before the end of the billing cycle, presuming they do not make additional credit charges. The credit associated with a credit card is the maximum amount of spending for which you can use the card. For example, a $5,000 spending limit on a card represents a $5,000 credit. The debt is the unpaid balance on that card. For example, if one used the card to charge $1,500 worth of goods and has not made a payment, the debt is $1,500. The interest for a credit card is charged on the average daily balance unpaid on the credit card each month. This is a tricky way of calculating interest, but it is very important to understand.

Imagine that one has the unpaid balance of $1,500 on the credit card mentioned above. He or she wants to make a $500 payment to reduce the debt. Does one make the payment now as soon as one can? Or wait until receiving a billing statement from the financial institution and then sending the check?

Making this decision is a bit tricky. The answer is to avoid convenience and make the payment as soon as one can. The average daily balance basis for interest calculation requires this approach.

Consider the examples in Table 6.1 for three instances when we might make this payment. One example is for the 10th day of the month. The second example is for the 20th day of the month. The final example is for the last day of the month. Notice how the timing of the payment affects the amount of interest owed. The amount of interest is calculated by multiplying the average daily balance by the interest rate, by the number of days in the billing cycle divided by 360 (ADB x i x (days/360)).

Table 6.1. Payment scenarios, credit card interest, average daily balance

	Day 10 Payment	*Day 20 Payment*	*Day 30 Payment*
Beginning Balance	\$1,500	\$1,500	\$1,500
Days at \$1,500	9	19	29
Days at \$1,000	21	11	1
Average Daily Balance	\$1,150	\$1,317	\$1,483
Interest @ 12%	11.50	13.17	14.83

When paying a credit card, there is a price for the convenience of delaying the payment. Accept the inconvenience of doing without and pay the credit card early.

We previously considered the benefits of doing things faster by doing things slower. How does this situation illustrate this adage? In this situation, what are you doing slower to accomplish faster? You are slowing your spending to build your financial worth faster by reducing your debt. You could spend the amount that you save on an ice cream cone. Would you choose to do so or make an additional payment on the credit card?

While the choice to spend is yours, remember that when you have debt, your creditors control your use of money. Your money is obligated to pay your debts first. By taking the time to reduce your debts, you increase your financial freedom, reducing your financial obligations to others.

You say that the creditors cannot control you. You will just exercise your financial right to pay the minimum credit card balance and continue your lifestyle. You are entitled to it.

Revisit our discussion of trust and manipulation. Your statement does not appear to represent one that affirms a compassionate sense of personal self-worth. Making excuses to conceal willingness or to avoid responsibility to repay your debts represents a form of manipulation.

Table 6.2. Characteristics of credit cards

Feature	*Notes*
Credit Amount	A spending limit established by the issuing bank
Debt Amount	The unpaid monthly balance associated with the card account.
Payment schedule	Any time before end of billing cycle, but generally within 30 days.
Interest	Very high rate if balance is not paid within 30 days.
Notes	Convenient to use. May provide difficulties without disciplined use and payment.

CONSUMER LOANS

Consumer loans help people purchase things for which they either do not have the savings to pay for or do not wish to use their savings. There are different types of consumer loans.

Cash loans represent one type in which the borrower may receive cash to any of a variety of consumer purposes, such as making a purchase, paying off debts, or other reasons. A purchase loan does not involve cash. Instead, the lender transfers funds directly to the seller.

Various financial institutions and businesses make consumer loans and may charge different rates of interest. The rates of interest depend on the costs of their funding sources and the risks of repayment by their borrowers. What creditors issue consumer loans? Cash loans come from a variety of sources, such as pawn shops, title loan stores, and general finance companies. While these businesses represent sources of cash, the interest rates that they charge are very high, much higher than those charged by larger banks and financial institutions. So, whereas credit cards charge 13–15% interest annually, pawn shops may charge between 5–25% per month (http://www.bankrate.com). Why might this situation occur? There is a price for convenience! In general, consumer loan outlets are sources of convenience lending. Cash loans are generally issued for small amounts, up to $5,000. Because cash is something that is easily spent and because those who are in decent financial health do not tend to experience difficulties, cash loans are generally associated with people who are at high risk of repayment.

Think about this statement. If a person needs cash to help pay-off monthly bills or a loan, then that person needs to reevaluate his or her income and expenses or even his or her lifestyle. It may also be that he or she does not have an income to meet obligations. Cash loans are often made to borrowers who would have difficulty getting credit from other sources. They represent forms of borrowing which are very expensive. Given our discussion of personal self-worth, what are the consequences to your personal self-worth of a personal consumer loan?

The usury rate is the highest interest rate that the law allows creditors to charge borrowers. The laws that define this rate vary by state; however they can be quite high. For example, the usury rate in one state is 50% for non-consumer loans (http://www.cardhub.com). Such laws are designed to protect consumers from being charged too much for their credit. Each state legislates and enforces its own usury law.

DISCUSSION POINT

As a class, research the usury laws that are in place for your state. Discuss answers to the following questions.

- What is/are the usury limit(s) stated?

- How complicated is the language within the law? How different is this from language that is more focused on explaining money lending or terms of financial agreements?
- What exceptions to the limit are present? Why do you think these limitations exist?
- How do usury rates compare with other loan rates? Why do these differences occur?

PURCHASE CONSUMER LOANS AND INSTALLMENT LOANS

By using credit to buy durable goods — such as cars, houses, and appliances— people are able to use the goods while paying for them. A durable good is a product that people can expect to last a long time.

Some durable goods, such as jewelry or collectible items, increase in value with age. Most durable goods decrease in value with age. Very often consumer loans are made for the purchase of a particular good, such as a car. With this type of loan, the lender sends a payment for the purchased item to the seller and the borrower pays the lender for the credit. This often happens with the purchase of a very expensive item, such as a car.

An installment loan occurs when the borrower repays a loan through a series of regular payments or scheduled installments. Such an arrangement is made because (1) the plan fits the borrower's budget or form of income and (2) the balance of the loan grows smaller as the value of the purchased item decreases. The installment aspect of the loan describes a payment schedule designed to repay the loan within a certain period of time (for example, 3 years) using amounts that are appropriate for the borrower's budget. A portion of each payment is assigned to interest and to principal. More of the early payments are allocated to interest. More interest is paid during the early portion of the payment schedule. Consumer loans may be secured, which means that the lender has a right to take some of your property (often the good being purchased) if you do not repay the loan.

Use a car loan as an example of a consumer loan for discussion. You agree to a $15,000 car loan to be paid over 48 months (four years) at 5 percent interest. Your monthly payment is $345.

Now, say that $345 is not in your monthly budget. The lender has a solution for you. You may pay the loan over 60 months (five years) and keep the interest rate the same. The monthly payment is now $284. Do you say "Yes"? The arrangement provides you with lower monthly payments that fit within your budget.

You and this textbook have been together long enough to know the answer. The answer is "No". Feel yourself calm as you hear the gentle n and o glide through your lips as you calm the emphatic lending officers. N-n-n-n-o-o-o-o, the lower monthly payment is not the way to g-o-o-o-o. We will compare the presented alternatives.

It seems that the lower monthly payment represents a good deal. You are borrowing the same amount, you have the same interest rate, you take longer to pay and you pay less each month. It is a win-win situation! You are saving $61 per month. Think of the things you could do with $61 per month!

Table 6.3. Monthly payment loan comparison

	Loan Amount	*Rate*	*Months*	*Payment*
Option 1	$15,000	5%	48	$345
Option 2	$15,000	5%	60	$284
Difference				$61

"No so fast." says your slower, not faster, money friend. We will get some additional information and then decide. The table below shows the results of this information processing.

The extended loan with lower monthly payments may affect the monthly budget; however, the total cost of credit is $480 more than the 48 month loan. It is better to adjust your budget for the $61 and pursue the higher monthly payment. All other loan conditions the same, it is better to pursue a short loan term if you can afford the higher monthly payment.

Table 6.4. Detailed monthly loan comparison

	Loan Amount	*Rate*	*Months*	*Payment*	*Total Payments*	*Interest*
Option 1	$15,000	5%	48	$345	16,560	1,560
Option 2	$15,000	5%	60	$284	17,040	2,040
Difference				$61	480	480

LONG TERM LOANS

People can use credit to finance investments in education and housing. The benefits of using credit in this way are spread out over a time. Borrowers may view the long-term purposes of these loans as generating more money than the cost of interest associated with the loan. The large costs of acquiring the education or housing are spread out over time as well. The benefits that people expect from investments may not be as much as they realize and these situations may impair their abilities to repay their loans.

EDUCATION LOANS

People use education loans to pay for college tuition and room and board. They represent long term loans because the amounts take a long time to pay. Consider that your college tuition may cost $5,000 per semester. You attend school for eight semesters (four years). Your total tuition amounts to $40,000. If you borrow the entire amount, you have a significant financial responsibility at the end of college.

When considering education loans, as with all loans, you should think about several matters. Consider (1) whether the potential earnings from a college education outweigh the expenses associated with the loan, (2) whether you really need to borrow the money. Aside from personal resources, there are many programs and organizations that offer grants and scholarships to assist with funding of your tuition. In addition, many universities offer student work programs. If you decide that you truly need to borrow, find out (3) who offers the money at the lowest cost and (4) how you would repay the money. The federal government has a number of college loan programs that offer funds at low interest rates. Your ability to repay the loan depends upon the amount you will earn and the length of the career that you pursue after college.

MORTGAGES

Mortgage loans are associated with borrowers who demonstrate stability in their manner of living. A mortgage will often be made for a very long time, often 30 years. Why? This situation arises for several reasons. First, houses are expensive and most people do not have the money to make a purchase of that amount. Second, people with stable lifestyles may stay in the same home for 30 years or more. Such people are good credit risks for the lender. Third, unlike consumer goods, such as cars and appliances, houses do not generally decrease in value unless they are in locations that experience much economic change.

One may view the mortgage as a long-term monthly payment loan for a home. The difference is that the monthly payments are much greater than those for your car loan. Given that situation, the principle of taking a higher payment for a shorter loan maturity makes much more sense in terms of saving interest. We will look at an example that compares a 30 year mortgage (often referred to as conventional) versus a 15 year loan. Use a $75,000 loan as an example.

Table 6.5. Mortgage payment comparisons

	Loan Amount	*Rate*	*Months*	*Payment*	*Total Payments*	*Interest*
Option 1	$75,000	4%	360	$358.06	128,902	53,902
Option 2	$75,000	4%	180	$554.77	99,859	24,859
Difference				$196.71	29,043	29,043

Pursuing the shorter loan maturity again saves interest. In just 15 years, one saves more than $29,000 by paying an extra $200 a month. For the next 15 years, one has funds available for other purposes that he or she would have previously applied to the loan.

Imagine that you already have a 30 year loan and feel badly and because you are stuck with the low payments. Cheer-up! If your loan contract does not have a prepayment penalty, you can simply send an extra principal payment with your regular payments so that the loan balance reduces faster. When it comes to mortgages, efforts to reduce the balance early in the loan payment experience will save money in the long-run.

Mortgage loans are generally good risks for lenders because they offer stable sources of interest income and the homes generally have stable values if they need to be sold to repay debt. Because of these conditions, mortgage loans are generally offered for comparatively low interest rates versus car loans. As of March, 2015, interest rates in the United States run counter to this idea with 30 year mortgages carrying rates of 3.90 percent and car loans running from 2.5–3 percent (http://www.bankrate.com). Why the difference? Mortgage loans generally involve low risk of default and stability of collateral for people who have long-term community commitments; in times when many people lose their jobs they cannot afford to pay their mortgages, banks charge higher rates to compensate for the risk.

Why would a bank not foreclose on a mortgage loan that is past due? Foreclosure simply means the bank completes a legal process to repossess the house and sell it to pay for the unpaid loan balance. If a lender decides to foreclose on a mortgage, it may incur many legal fees and expenses to take control of the property if the borrower is uncooperative. Because people can become emotionally attached to their homes, they resist moving to other locations, even if they do not make their loan payments.

The low rates associated with car loans may occur for different reasons such as automotive finance companies (those affiliated with car manufacturers) enticing people to purchase new cars. They compensate for the risk of payment default by making the rates available only to those borrowers with pristine credit histories. One reason that lenders may be more flexible with their lending rates for automobiles involves comparative ease of collecting the vehicle in the event that the borrower stops payment on the loan. The lender simply repossesses the vehicle and sells the vehicle to collect the balance of the loan. The costs of this process are much less than those for foreclosing on real estate.

One strategy to consider when shopping for a used vehicle would be to approach a local lender whom you trust about the availability of repossessed vehicles. The reason for this strategy lies in the lender's interest in selling the vehicle to pay a non-performing loan (a loan that is not earning interest for the lender.) The lender has first-hand information about the vehicle and may provide information about the extent to which the borrower may have cared for it. Of course, whenever you consider purchasing a used vehicle, be certain to have your trusted mechanic examine the car to ensure that it is safe for operation. The following table describes the types of loans just considered.

Table 6.6. Comparisons of interest rates and repayment risk for various loan types

	Interest Rates	*Risk of Repayment*
Cash Loans	High	High
Credit cards	High	High
Purchase (Installment) Loans	Moderate	Moderate
College Education Loans	Low	Low to Moderate
Mortgages	Low	Low to Moderate

CREDIT SOURCES

Despite the best efforts to manage your budget, you do not have the resources to purchase a car or home and need to obtain credit to do so. Where could you obtain credit? There are a number of different source available; however, before considering the different types of creditors, we will clarify that any financial entity: person, local store, institution, may be interpreted as a business that buys and sells money. [2] It buys money in the form of deposit accounts, loans, and owners' capital. It sells money at a higher interest rate through its loans and investments. The difference between interest received and interest paid contributes to the increase financial worth. Different lenders serve people who have different degrees of repayment risk.

People who are regarded as favorable risks tend to be served by depository institutions such as commercial banks, savings and loans, and credit unions. These sources generally offer credit at lower rates than other sources. The costs of the funds that they buy (deposit accounts) are generally lower than other sources; therefore they can afford to charge less for their loans than charged by other courses. At the same time, these lenders scrutinize their borrowers more than other lenders by researching past credit performances when deciding whether or not to extend them credit. By extending loans to the customers who have the strongest records of loan repayment, these banks can afford to keep their loan rates low.

Other lenders, such as commercial finance companies, charge very high interest rates for their loans. This situation occurs because these lenders pay higher amounts for their sources of funds. It also occurs because their borrowers represent high repayment risks and generally cannot obtain credit from depository institutions.

High interest rates make debt more difficult for borrowers to afford. Sometimes people are unable to pay their debts. These situations may occur through conditions under which the people cannot control. These situations may result in creditors' repossession of property or garnishment of their wages. The debtors may also attempt to renegotiate the debt or sell the collateral to pay it off.

You may be thinking that you want borrow from the depository institution and so you should think that. If you obtain credit, you should use the creditor that charges the lowest possible interest rates possible. You should also ensure that your debt levels are manageable. How can you accomplish this?

First, develop a strong sense of personal self-worth. Remember that buying things does not make you a better person. Controlling your spending and managing your money responsibility are the first steps towards making you a stronger candidate for credit and debt if you need them.

Second, manage your money properly. Use a budget or spending plan to organize your expenses and monitor your funds.

Third, when you need to borrow, do so with a specific plan for repayment in mind. Examine your budget or spending plan and consider how to adjust it *before* you approach a creditor. Taking on the credit will require you to free-up money in your budget for debt repayment. If it is possible to delay your credit, consider paying yourself the debt payment into a savings account for a time and using cash from your reserves to make the purchase later.

Finally, we will clarify how credit and debt relate to personal self-worth. Remember that we defined personal self-worth in terms of your early relationships with others. Your personal self-worth originates from your valuing of who you are. This sense derives from an environment that unconditionally accepts you. Your personal self-worth does not depend on accumulation of money or objects.

Given this reality, why is knowledge of credit and debt relevant to personal self-worth? By understanding how systems of credit and debt work, you may better resist the strategies used by financial institutions to sell you loan products that threaten your personal self-worth. How may this be so?

If you define your personal self-worth in terms of the money that you control, poor decisions with regard to credit and debt may subject you to the control of financial institutions. By convincing you of the need to borrow money to afford a particular lifestyle, these businesses control your future use of money, and therefore your options of using financial resources in the manner you would choose and requiring payment of interest for their profit. By recognizing that your personal self-worth comes from within, you can confidently say "No" to potentially controlling credit and debt tools.

A critically compassionate approach to credit and debt recognizes that an obsession with financial net worth distracts from a healthy sense of personal self-worth. A compassionate view of yourself empowers you to compassionately interpret the system of financial control exercised through credit and debt practices that exploit you as a tool for profit. With this awareness, we invite you to divest yourself of dependency on credit and debt and invest in your personal self-worth.

NOTES

1 This story was originally quoted and referenced in the article Economic Influenced Perceptions and Their Implications for Early 21st Century Education published in the winter, 2003 issue of the journal *Educational Foundations*, on pages 41–54.

2 Thank you to Timothy P. Neeck, with the Federal Deposit Insurance Corporation, for this analogy.

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FINANCIAL LITERACY BENCHMARKS

4th Grade

Conventional Standards	*Compassionate Standards*
Credit is a basic financial tool.	Credit is a basic financial tool to acquire goods and services for which a person does not have or does not want to use cash.
Borrowing money to buy something usually costs more than paying cash because there is a fee for credit (interest).	Borrowing money to buy something usually costs more than paying cash because creditors charge money for credit (interest).
Interest is the price the borrower pays for using someone else's money.	Interest is the price the borrower pays for using someone else's money. The lender determines the interest rate for a loan. A borrower needs to acquire additional money to pay the interest on money borrowed.
	Interest paid to the lender is the cost for the use of the money. Interest rewards people who have money and punishes those who do not have money.
Responsible borrowers repay as promised, showing that they are worthy of getting credit in the future.	Many borrowers repay their loans as promised. Some borrowers intentionally or unintentionally do not repay their loans.
When people use credit, they receive something of value now and agree to repay the lender over time, or at some date in the future, with interest.	When people use credit, they receive something of value now and agree to repay the lender over time, or at some date in the future, with interest. The lender expects that the borrower will have a plan and the resources to repay the loan.
By using credit to buy durable goods—such as cars, houses, and appliances—people are able to use the goods while paying for them.	By using credit to buy durable goods—such as cars, houses, and appliances—people are able to use the goods while paying for them. Some durable goods decrease in value with age. Some durable goods increase in value with age.
Borrowers who repay loans as promised show that they are worthy of getting credit in the future. A reputation for not repaying a loan as promised can result in higher interest charges on future loans, if loans are available at all.	Borrowers who repay loans as promised show that they are worthy of getting credit in the future. A reputation for not repaying a loan as promised can result in higher interest charges on future loans. There are a variety of planned and unplanned reasons why borrowers may not repay loans.
	High interest rates make debt more difficult for borrowers to afford.
	The usury rate is the highest interest rate that the law allows creditors to charge borrowers.

8th Grade

Conventional Standards	*Compassionate Standards*
Comparing the costs and benefits of buying on credit is key to making a good purchase decision.	A good purchase decision involves first determining whether one needs the item considered. If the item is needed, the purchase should be made with cash.
People who apply for loans are told what the interest rate on the loan will be. An interest rate is the price of using someone else's money expressed as an annual percentage of the loan principal.	Lenders generally tell consumer borrowers what the price of their credits will be. An interest rate is the price of using someone else's money expressed as an annual percentage of the loan principal.
For any given loan amount and interest rate, the longer the loan period, the smaller the monthly payment and the larger the total cost of credit.	For any given loan amount and interest rate, the longer the loan period, the smaller the monthly payment and the larger the total cost of credit.
A credit card purchase is a loan from the financial institution that issued the card. Credit card interest rates tend to be higher than rates for other loans. In addition, financial institutions may charge significant fees related to a credit card and its use.	A credit card purchase is a loan from the financial institution that issued the card. Credit card interest rates tend to be higher than rates for other loans. In addition, financial institutions may charge significant fees related to a credit card and its use.
Borrowers who use credit cards for purchases and who do not pay the full balance when it is due pay much higher costs for their purchases because interest is charged monthly. A credit card user can avoid interest charges by paying the entire balance within the grace period specified by the financial institution.	Borrowers who use credit cards for purchases and who do not pay the full balance when it is due pay much higher costs for their purchases because interest is charged monthly. A credit card user can avoid interest charges by paying the entire balance within the grace period specified by the financial institution.
	Borrowers who have unpaid balances on their credit cards are charged interest based on the average daily balance for the billing cycle. Consumers can save credit card interest by paying their credit card debt before the end of the billing cycle, presuming they do not make additional credit charges.
Consumers can choose from a variety of credit sources.	Consumers can choose from a variety of credit sources. The range of choices depends on the consumers' financial histories and their access to financial institutions.

(Continued)

Conventional Standards	*Compassionate Standards*
Various financial institutions and businesses make consumer loans and may charge different rates of interest.	Various financial institutions and businesses make consumer loans and may charge different rates of interest. The rates of interest depend on the costs of their funding sources and the risks of repayment by their borrowers.
Lenders charge different interest rates based on the risk of nonpayment by borrowers. The higher the risk of nonpayment, the higher the interest rate charged. The lower the risk of nonpayment, the lower the interest rate charged.	Lenders charge different interest rates based on the risk of nonpayment by borrowers. The higher the risk of nonpayment, the higher the interest rate charged. The lower the risk of nonpayment, the lower the interest rate charged. Higher interest rates can also prevent weak borrowers from escaping debt difficulties.
People can use credit to finance investments in education and housing. The benefits of using credit in this way are spread out over a period of time and may be large. The large costs of acquiring the education or housing are spread out over time as well. The benefits of using credit to make daily purchases of food or clothing are short-lived and do not accumulate over time.	People use credit to finance investments in education and housing. The benefits of using credit in this way are spread out over a period of time and may be large. The large costs of acquiring the education or housing are spread out over time as well. The benefits of using credit to make daily purchases of food or clothing are short-lived and do not accumulate over time. The benefits that people expect from investments may not be as much as they realize and these situations may impair future abilities to repay their loans.
Credit bureaus maintain credit reports, which record borrowers' histories of repaying loans.	Credit bureaus maintain credit reports, which record borrowers' histories of repaying loans. Financial institutions use these reports to interpret the risks of their credit applicants' repayment.
Sometimes people borrow more money than they can repay, which can have consequences such as repossession and garnishment.	Sometimes people are unable to pay their debts. These situations may occur through conditions under which the people cannot control. These situations may result in creditors' repossession of property or garnishment of their wages. The debtors may also attempt to renegotiate the debt or sell the collateral to pay it off.

ACTIVITIES

Activity 1

Locate a phonebook or a technological device with internet services and a map of your local community. In the business section of the phone listings, find and record the addresses for the offices of two or three banks, credit unions, and/or savings and loans. Plot the locations of these offices on the community map, using different codes for different types of branches (e.g., full-service branches, limited service branches, and ATM only).

After plotting these locations, find and record the addresses for offices of the commercial finance, pawnshop, and pay-day lending businesses. Plot these locations on the same community map, using different color codes than those used for the depository institutions. Answer the following questions:

- What patterns do you observe with regard to the income characteristics of the neighborhoods in which the various businesses are located? Why do you think these businesses choose to locate in the communities that they do? To what extent did the people in these communities make the choices to live in these neighborhoods? To what extent were people in these communities forced to live in these neighborhoods?
- To what extent do you think that the people in the community shape the businesses that are present? To what extent do the businesses that are present shape the nature of the community?

Activity 2

Lenders charge higher rates to those who have histories of not repaying their loans. Develop a list of reasons as to why you think people do not repay their loans. Share this list with your classmates and study the reasons that you developed. How many of these reasons relate to poor decision-making, difficult circumstances, poor images of worth, or a combination of factors? Based on your findings, propose some solutions for changing these conditions. You should provide an equal number of strategies for lenders and for obligors. In your proposals, consider things that both the businesses and the people of the community can do to improve the worth of the community.

Activity 3

There is a car that you want to purchase and you need to borrow $5,000. You have $150 per month budgeted for the purchase. You go to the bank and receive approval to borrow the money; however, you are provided four options for repayment, all involve an interest rate of 5%. Each option includes a prepayment penalty if you decide to pay the loan early.

- Decide which of the following options best suits your situation. Explain your answer.

  a. A one-year note for which you will pay the bank a one-time payment $5,025 in twelve-months.
  b. A two-year note with monthly payments of $219.36
  c. A three-year note with monthly payments of $149.85
  d. A four-year note with monthly payments of $115.15

- Consider that bank has decided to wave the prepayment penalty for the loan. What option is best for your situation?

Activity 4

Silly Sarah Spender loves sales. Sarah loves sales so much that she has a special credit card that she uses to buy things when she goes to them. Sadly, Sarah's credit card debt is more than a level with which Sarah is comfortable. Sarah has a credit card balance of $4,000 and needs to pay down the debt. She has $300 per month available. The card charges an interest rate of 10% on the average daily balance.

Sarah is struggling with how to pay down the credit card in the most efficient way, and has three options. Her statement is due on the 30th of each month and she is paid on the 15th of the month. She is considering three options. (1) Send the check for $300 as soon as she is paid (2) send the check to the bank when the credit card is due (3) send the bank a check for $100 every 10 days during the month to keep shrinking the daily balance. Which option should Sally choose? Provide the mathematical calculations to support your response.

Activity 5

Fred does not have a lot of money and works at hourly wage jobs performing manual labor such as washing dishes and bussing tables. Fred is riding the bus home one day and sees a classic car available with a local used-car dealer for only a couple of thousand dollars. Fred does not have that amount in savings; however, sees a sign at the car lot that says "We Tote the Note." In other words, the used car dealer will work with a consumer credit company to finance the loan to purchase the car.

Imagine you are Fred's friend. You two are hanging out, and Fred is raving about the car, how it would make life so much better, and how the car loan sounds like a bargain. What does Fred's information tell about his sense of personal self-worth? What does the information tell about his sense of financial worth? What advice would you offer Fred about the car?

CHAPTER 7

SAVING AND INVESTING

You have finally arrived at the chapter for which you've been waiting. Or perhaps this is the first chapter you are reading after glancing over the Table of Contents. This is the place to learn about how to increase your financial worth! Are you excited?

Before proceeding, we will review some of the basic information presented at the outset of this text. It will provide a reminder of the premises and assumptions that underlie the topics presented in this chapter. It will also orient those who are just joining the conversation to our thinking about money and its relationship to who we are.

We will reconsider the different concepts of personal self-worth and financial worth. Personal self-worth is the appreciation for oneself. Financial worth is the total of all the goods and services that one can control. While people often confuse the two, they are very different. Personal self-worth relates to a sense of compassion for oneself based on inner peace. It represents an awareness of yourself and a caring for others with whom you interact. It involves a feeling of self-security based on an inner sense of trust. Personal self-worth differs from financial worth. It does not require control of things to generate a sense of value. Rather, it values a concept of stewardship. Personal self-worth recognizes a responsibility to care for people, goods, and services, rather than control them.

We will consider two people: Joe and Jo. Each has a financial worth of $500,000 and each is an executive for a growing business. Jo is a caring and compassionate person who respects others in all daily contacts and attempts to consider the needs of all when making decisions. Joe is a controlling and self-focused person who views social interactions based on their effect on him and who considers his own immediate interests before others' when making choices. Both have the same financial worth. What is the personal self-worth of each?

We will look at Joe and Jo a bit closer. We will say that both give money to those who are in need. Jo donates approximately 50% of the business profits by visiting local charities and giving money to their programs. Joe gives 50% of the business profits through the donation of company goods to employees to provide them with better lives. Each donates the same amount, so the financial worth of each individual stays the same. Yet each one donates in a very different way.

You argue that each person has the right to choose how to use their money and the authors of this text are making a judgment about how each person decides to spend their money.

We reply that this is not a judgment about rightness or wrongness of the choice. It is disclosure that people can control the same amounts of money and spend the money in different ways. The spending choice relates to the sense of personal self-worth that the individual experiences. If one's sense of inner self does not depend on controlling resources, then that person has a stronger capacity for stewardship or for the care of those resources.

So, why is this issue relevant to saving and investing? Because saving and investing represent the necessary tools for purchasing financial assets that increase in value, yet they also represent important skills in the process of compassionate living. To save means to set income aside for emergencies and immediate needs. To invest means to set money aside in a riskier location for a longer term.

Once one has learned to resist unnecessary spending and debt, one has resources to extend credit (through savings and investing) to others who may practice caring business practices towards others. The process of building worth involves reducing one's spending to acquire goods and services (thereby reducing income of businesses) so that one may increase one's ability to be a creditor (or to loan money) to those who need funds.

We will begin by revisiting the image of the sink and faucet. You have controlled your spending such that water flow from the faucet occurs at a rate that is faster than the flow down the drain. In other words, you have a surplus amount of water that gathers in the sink each month. Because you have this extra water, you have the opportunity to share your surplus with those who need your resources and are willing to pay you for them – in volumes of water. If you save or invest your spare water with others, they may return your water plus additional amounts in the future.

Note that this experience is the opposite of that which concerns credit and debt, described in previous chapters. Saving and investing involve your permitting financial institutions to borrow your money and return it to you at some future time. It is your responsibility to research the integrity of the entities with which you save or invest.

The rate of repayment depends on the amount of the time that others may keep the "water" (i.e. money). If they keep the water for a short time or anticipate you may want it back soon, the rate of repayment is low. If they keep the water for a longer time, anticipating that you do not want it back for a while, the rate of repayment can be high or low, depending on how it is managed. We will revisit the financial statement of E. Z. Levine contained in Table 7.1. We presume that Levine has a surplus of monetary resources each month and needs to decide where to place them. The savings account offers an opportunity to be a creditor to a bank. The bank pays back the money when the lender wants it. The account has a low rate of interest. The certificate of deposit is another type of bank account that pays more than the savings account. We will discuss both of these account types in more depth later. Now we will compare assets (the things or money owned) and liabilities—the money owed (or outstanding debt).

Table 7.1. Financial statement of E. Z. Levine

Assets ($)		*Liabilities ($)*	
Cash	5	Credit Card Outstanding	500
Savings Account	100		
Certificate of Deposit	1,500		
Total Cash and Deposit Accounts	1,605		
Car	4,000	Car Loan	3,000
Household Goods	1,000		
House	75,000	Mortgage	70,000
Retirement Account	2,000	Total Debts	73,500
		Net Worth	10,105
Total Assets	83,605	Financial Worth	83,605

An individual's financial assets include a wide variety of financial instruments such as bank deposits, stocks, bonds, and mutual funds. Real estate and commodities are also often viewed as financial assets. Levine does not have any financial investments; however, he may decide to purchase them at some point. These accounts involve more risk of loss than the deposit accounts. However, they also offer the potential to earn higher returns than the deposit accounts.

These deposit accounts and investments represent assets and are recorded on the left side of the financial statement. They have the potential to increase in value over time. They are called appreciating assets. One may increase financial worth in two ways. The first is to reduce liabilities (discussed in a previous chapter). The second is to increase assets (discussed in this chapter).

Discussion Questions

1. Do you think that it is possible to increase your financial worth, while increasing your personal self-worth? If so, explain how this might be accomplished. If not, explain why not.
2. We have stated that a compassionate approach to personal finance does not include a simple reduction of financial liabilities and increase of financial assets. What rationale do you think supports this idea?
3. In the section above, we mentioned investment tools that provide a financial return. What investments may provide you with a social or personal return? What research might you conduct to locate them?

ANOTHER VIEW

Here is a different way to consider savings and investment accounts. Remember that in an earlier chapter we described the different forms of credit that you could obtain from various lending institutions. Your saving and investing processes involve your extending credit to those institutions in whose accounts you save or invest. That is to say, you are lending funds to those institutions with the intention of receiving those funds back at a future point in time plus interest or other compensation for your risk. Interest is money paid by a depository institution for the use of funds saved in deposit accounts. It is also money paid by corporations or governments on bonds or loans in which one invests. In essence, your bank deposits represent sources of funding for the loans and investments that the bank makes.

What is the difference? Quite simply, it is a matter of resource control. When you "lend" your money to institutions, they choose the deposit rate they will offer you. You cannot determine the rate of return for the money you lend the bank. Why? It is because institutions have many prospective depositors that need their service. If you decide not to extend them credit by depositing funds in their accounts, there are other creditors who will agree to deposit their money.

So, how are you distinguished from other lenders/creditors? Perhaps the answer does not relate to a search for high interest rates, but a search for compassionate use of money. In other words, rather than seeking the depository institution that pays the most interest for your money, you seek the institution that uses the money in ways that most benefit those in the community who need care.

Remember that personal self-worth develops from within. It does not depend on the amount of financial resources controlled. With regard to saving and investing, the challenge for increasing personal self-worth relates to finding opportunities to support caring environments that respect the community. This process represents a less convenient process than locating a financial tool/institution that brings the highest return.

How might this be done? One approach in the United States may be to ask the institution for its public file with regard to its performance under the Community Reinvestment Act and then have a conversation with bank officers about their future initiatives to support the local community. While sponsoring community awareness events represent common approaches that develop name recognition, financial institutions should also consider strategies for establishing or improving community access to financial services. By building relationships based on trust and care, financial institutions can contribute to a sense of neighborly worth that provides a foundation for safe financial relationships.

If you do not live in the United States, and your country does not have a law that requires such disclosure, you might wish to ask to speak with an institutional representative about such efforts. If the institution does not want to speak with you about this topic, or politely tells you that it is not in the institution's interest, then consider seeking another institution for your deposit accounts.

Remember that when depository institutions lend money, the interest rate charged relates to the risk of the borrower's repayment. Similarly, you should consider the depository institutions as borrowers of your deposits. It is your responsibility to compare institutions and determine the highest rates for your deposits; however, the point of this discussion has a deeper social meaning. In order to control the interest rates and returns that underlie the patterns of credit and investing, a person or group of people needs to have the compassion to realize that personal self-worth does not depend upon financial gain. A trust-based community offers opportunities for financial savings and investments, and that the institutions through which one saves or invests have a social obligation to use your monies responsibly.

Discussion Questions

1. How do you feel knowing that you have the ability to become a lender/creditor? How do these feelings relate to your sense of financial worth? How do they relate to your sense of personal self-worth?
2. Your financial worth can be increased by increasing financial assets and decreasing financial liabilities. How do you think that you might increase your personal self-worth?

MATTERS OF CONTROL

In earlier chapters, we discussed the concept of control, observing that when you have outstanding debt, the creditor has a form of control over your spending patterns. The debt obligation commits your money to loan payments for something that you purchased earlier.

The issue of control represents a very sad concept because control indicates a form of possession. You would not want to be controlled or owned any more than any other person reading this book would. So, we will consider savings and investing as processes with purposes other than control. Perhaps if we consider them as being actions of care, compassion, or stewardship, they may have more appeal.

Going back to the debt example, we will say that rather than being forced to make payments, because a creditor controls you, there is now a lender who cares for you. How might this look? Perhaps, rather than taking away the things that you borrowed money for because of your defaulting on payments, the lender discusses your budgeting or life choices and how the loan might be repaid given your circumstances.

Financial literacy based on stewardship prioritizes care of self and others over money. Using money to control people represents a selfish process premised upon the idea that one is better than another because he or she encounters larger amounts of money. Financial worth does not represent an indicator of personal self-worth.

SAVING AND INFLATION

When we talk about saving or investing, think of these processes using money to purchase a financial tool that offers potential for giving you more money in return. Every savings or investment decision involves an opportunity cost. This cost concerns the financial amount of what was given up for the amount saved or invested.

People may have containers in their homes for saving coins. These containers are generally referred to as piggy banks. While these banks are convenient places to visibly store coins for later use, the coins lose their value sitting in one location for periods of time. This situation occurs because of inflation, the increasing costs of goods and services. Inflation reduces the real return of an investment.

Imagine that you have a dollar's worth of coins. You could purchase a liter bottle of soda for that dollar today; however, next year the price for the same soda increases four cents (to $1.04). You still have a dollar's worth of coins. Your coins cannot purchase the same item that they purchased last year. You need more money to pay for the same thing.

How can you address this situation? Consider that increasing prices relate to two factors (1) decreasing supplies of goods and/or (2) increasing demand for goods. By reducing spending on popular goods, you help to reduce the demand for these goods and help to potentially lower the rates at which the prices increase. If you want lower gasoline prices for your car, stop driving the car and stop purchasing gasoline. Or at least do less of each. If you want lower milk prices, buy less milk. By reducing your spending, you lower the rate that prices increase.

You object to this claim because you just *know* that we are supposed to spend money to support the economy. This is why companies make profits and people have jobs.

We respond that you have a legitimate claim. This argument is often provided as a rationale for spending money. Yet, the terminology used can shape our thinking about the spending processes. In one view, a company makes profits by selling goods and services for higher prices than it spent producing these same goods and services. In another view, individuals get control of more money by exploiting resources for their personal and financial gain. By avoiding the spending of money on unnecessary goods or services, you prevent your money from getting into the hands of those individuals who may control you through credit and debt obligations. When you reduce your spending and thus slow inflation, you are also setting money aside for future use. By sacrificing short-term conveniences, you have money for future opportunities. Saving involves an opportunity cost associated with things you could purchase or buy now but choose not to.

What if we interpret and evaluate the economy in terms of social worth, rather than goods and services produced? A view of the economy that emphasizes production of goods and services may value the process more than the people within the process. A small percentage of the population ends up controlling a large proportion of a society's resources. Construing the economy based on production activities that benefit a small group of people intent on promoting themselves as being role-models for others represents a very sad manner of thinking that does not involve compassion. Attempts to justify this arrangement based on the claim that workers have paying jobs rests upon the presumption that jobs are essential to developing personal self-worth because they help to build wealth. Personal self-worth comes from within, not from associations with money and material objects.

The error with this presumption is that that development of personal self-worth does not relate to jobs and wealth accumulation. Personal self-worth relates to an inner appreciation for oneself. One can appreciate oneself and not be employed by another or have great wealth.

How can you improve the economy in a critically compassionate manner? In terms of this chapter's content, reduce your spending so that you can lower debt payments and put money into savings and investments. By reducing your spending you accomplish two feats: (1) contribute to a declining demand for goods and services, and (2) add to your potential to save or invest money.

You probably observe a problem with this idea. If financial savings and investments do not contribute to personal self-worth, why pursue these processes? Our response is that saving and investing with a focus on financial return do not contribute to personal self-worth, but saving and investing with a focus on compassion towards others does contribute to personal self-worth. Compassionate investing derives from escaping conditions in which you are financially controlled and from pursuing opportunities to seek compassionate investing opportunities.

It is important to note that not everyone has the self-discipline to deliberately reduce their debt or increase their savings and investments. One has the possibility of spending his/her money on other services and goods besides savings accounts. One who has money that is only sufficient to meet his/her basic needs should be exceptionally disciplined in resisting spending temptations that prevent savings. People who have less money have more opportunity costs that detract from their abilities to save. It is to support these individuals that we advocate for compassionate investing approaches.

Depository institutions, such as banks and credit unions, are places people can invest money and earn interest. However, there are people who do not have deposits established within financial institutions. These people are called the "unbanked" (Hogarth, Anguelov, & Lee, 2005). Many banks and institutions have fees and requirements that limit the abilities of people to setup deposit accounts. People may not have deposit accounts for several reasons: (1) they do not have enough money to create an account; (2) the expenses of maintaining the account cost too much; and/or (3) they do not trust depository institutions with their money.

People may sell their money to banks (through savings accounts) or to the government (through savings bonds), and they expect to earn interest. When saving, a person should first set money aside for emergencies and immediate needs. People can save their money at depository institutions and earn interest. There are several basic types of deposit accounts that a person may find at a bank.

Demand deposit or checking accounts involve funds that one may withdraw at any time without penalty, usually through means of a check or a debit card. These accounts involve very low (.39%). or no interest (http://www.bankrate.com) because of the uncertainty about how long funds will be on deposit.

Money Market Accounts (MMAs) are like demand deposit accounts, except that they require greater balances and have adjustable rates, as determined by the interest markets. For example, as of this writing, a $10,000 MMA account earns an interest rate of 0.46%.

Savings accounts involve funds that that may be removed at any time; however, they involve no foreseeable withdrawal. In the United States, regulators allow a small number of withdrawals from savings accounts during a calendar quarter, after which the account must be changed into a savings account. The frequency of withdrawals is permitted with these accounts are limited because regular account activity would qualify these accounts to be demand deposits. Savings accounts pay low rates of interest (currently about 0.50%, according to http://www.bankrate.com), though higher than the rates paid on demand deposit accounts.

Certificates of deposit (CDs) involve monies that are committed as deposits for a certain period of time, ranging from 3 months to over 10 years. The interest rates paid on certificates of deposit are generally higher than those paid on savings accounts because the associated funds are secure sources of funding for the institution. In other words, the institution pays a higher rate of interest because it knows with reasonable certainty that the funds will not be withdrawn. The depositor receives a higher rate for sacrificing the opportunity to spend the funds for other purposes.

The rates paid on certificates depend upon their amount and maturity. In general, the larger the certificate's amount and the longer its maturity, the higher will be the rate of interest. The following table provides an example schedule of a depository institution's CD rates and maturities.

Table 7.2. Example rates and maturities for certificates of deposit

Maturity	*6 months*	*1 year*	*18 months*	*2 years*	*3 years*	*5 years*
Rate	.50%	1.00%	1.00%	1.25%	1.50%	1.50%

Remember that a significant portion of the population is either unbanked or underbanked. In other words, according to financial experts, they do not have financial relationships with banks that are sufficient to meet their needs. What compassionate alternatives to banks might there be?

One possibility might be a community group organized for the purpose of pooling resources to build savings. Rather than going to banks to make their deposits, groups of individuals work together to build their savings together and make shared decisions about how that money should be used. Collectively, the group decides on community lending and investing decisions to provide interest income to pay their community contributors.

You consider this to be a great idea, but wonder why not just put the group community funds into the bank for safe-keeping? This represents a tempting strategy; however, since the community fund represents a bank in itself, there is no need for a deposit account. The community can decide to fund or otherwise support community interests. In addition, the money stays local. There is no need to worry about deposit account monies being used to support the credit needs of business interests outside the local community.

This small community group represents a caring approach to saving. It is compassionate because the members of the group have sufficient knowledge of each other such that mutual support exists within the group. The basis for community lies within stewardship and care, rather than money and control. There are various forms of communities that have adapted elements of such principles. For example, Grigsby (2004) describes the lifestyles of people who choose lifestyles of simplicity. Green (2012) offers an account of group of women who pooled their resources to learn basic financial skills.

Of course, there is always some risk of mistrust or theft. These conditions represent matters of people with low personal self-worth. Preventing theft requires a community that practices safety, care, and compassion to build an environment founded in mutual trust.

This caring approach also supports the unbanked. Why? Because it provides an opportunity for the unbanked to experience a trusting environment in which people they know care for their money and support the credit needs of the community. This is different from depositing with large financial institutions who lend money over a wider geographic area to entities that may not have vested interests in the community.

Discussion Questions

1. Make a list of five people with whom you have regular interaction. Create two columns next to the list of names. Label one column “care” and the other “control”. In your list identify the extent to which the individuals care for you and to the extent to which the individuals control you. Explain your findings. Repeat the activity, except in this instance identify which of the individuals you care for and which you control. Explain your findings.
2. If you have a savings account at a local depository institution, do you feel controlled or cared for by the institution? Explain your reasoning.
3. Imagine that you were to create a community bank, such as that described above. How would you choose those to participate with you?

INVESTING

When people have saved enough money for emergencies, they may choose to invest savings for other purposes. Investing involves setting money in more risky vehicles for longer periods of time. In general, people with fewer financial resources cannot afford great amounts of financial risk. Therefore, they have potential for low returns on their savings and investments.

Investments differ in their potential rate of return, liquidity, and level of risk. A positive relationship can occur between the average annual return on an investment and its risk. The income and growth from financial investments consist of interest payments, dividends, and capital appreciation. In general, two broad types of investments are available – stocks and bonds.

Stocks are ownership interests in a business. When people buy corporate stock, shareholders purchase ownership shares in a business. If the business is or share prices increase profitable, they will expect to receive income in the form of dividends and/or from the increase in the stock's value. Many different factors may affect a stock's value, such as political events, industry conditions, and company profits. The increase in the value of the asset (like a stock) is called a capital gain. If the business is not or share prices decrease profitable, the investors could experience a capital loss and lose money on shareholders investment.

Financial risk means that a financial investment has a chance of losing value. Higher–risk investments have a wider range of possible gain or loss. The rate of return earned from investments will vary according to the amount of risk. In general, a tradeoff exists between the safety of an investment and its expected rate of return.

The sale of stock by a business represents a strategy to increase business capital. A company can authorize a very large number of shares of stock. The value of a stock is the price per share for which one can buy the stock. This price may be determined privately or determined on public exchanges or markets. Some stocks are privately held and not sold on public markets.

Bonds are claims on a debt issued by a business or government. This claim may be sold privately or publically. For example, a company may wish to finance an expansion of its company by selling $1,000,000 in bonds. The company says that it will pay 6% interest on the bonds with repayments made quarterly. You probably do not have $1,000,000 lying around your residence waiting to give to a company; however, you may have $1,000. You may purchase bonds in the amount of $1,000 and receive your quarterly payments in return until the bond matures, at which time you plan to receive back the invested amount.

How might control and stewardship relate to investing? We will first consider control. Very large businesses or corporations depend on investors to fund their operations. When investors fund the operations of businesses, they approve of the activities utilized by the business to generate a profit. So, for example, investors condone the activities and conduct of the company executives; they approve how the business treats their employees; they approve company policies towards treatment of laborers; and they approve the decisions made to access raw materials for creating the products sold.

If you were to purchase stock in a large corporation that manufactured a popular brand of shoes that you wear, you are giving money to support the conditions established by the business under which workers produce the shoes. You are supporting the processes by which the business manages its workers or obtains the materials used to make the shoes. How does it make you feel to know that investing in stocks of large corporations represents a statement about your beliefs regarding treatment of workers and/or the environment?

We will consider another example. If you were to purchase stock in a large oil corporation that manufactures the gasoline products for your car as well as plastics, you are giving money to support the gaseous conditions under which workers refine these materials into consumer products. You are supporting the burning of this fuel that creates exhaust that builds in the atmosphere and contributes to global climate change.

When investing in a corporation, you contribute to the financial support of business operations that have the potential to do great harm and/or great good to many people and to the global environment. The products produced may have the potential to make the lives of those who buy them more convenient. They may also have the potential to make the lives for those who produce them more dangerous. Your investment in the corporation supports the business's control of other people's lifestyles. Investing affirms the patterns of control present through the process of generating corporate profit.

Your investing provides you with a sense of control of the business. People who invest in a business have some element of control because the business depends on their sources of funds for operations. When a significant decrease in stock values occurs because people withdraw their business funding, the business must reconsider its funding sources. If a business loses its financial capital or funding, it risks becoming insolvent. In other words, it risks having more debts than assets. Capital funding occurs through retention of earnings the sale of stock ownership and of bond financing (debt).

There is a sequence by which businesses are required to pay their financial obligations. First, they must pay their operational expenses. Then they must pay their credit obligations. Finally, they keep earnings for building capital. Shareholders are paid last. When funding the debt of a business, investors accept the risk that the business may not generate sufficient cash flow to pay its debts. When investors fund the equity of these businesses, they accept the risk that the business may not be profitable, that the business will have sufficient funds after debt payments, that the public may not perceive the stock as increasing in value, and that the business may not pay dividends to shareholders.

When people or institutions (such as mutual funds) buy corporate stock, they purchase ownership shares in a business. If the business is profitable, they may expect to receive income in the form of dividends and/or from the increase in the stock's value. The increase in the value of an asset (like a stock) is called a capital gain. If the business is not profitable, investors could lose the money they have invested. The income and growth from financial investments consist of interest payments, dividends, and capital appreciation.

People who own common stock in a company may have the opportunity to have a voice on policies of the company which issued the stock that they own. Shareholder voting is based on the number of shares that one owns. A person who owns 14 shares receives 14 votes, and so on. People who own larger percentages of stock shares generally control the outcomes of shareholder elections.

Many people like to invest in mutual funds as a manner of avoiding the risk of buying a stock or a bond associated with a particular corporation. A mutual fund is a business created to invest money for its shareholders. When one invests in a mutual fund, he or she purchases shares in a business which invests in various financial tools, as guided by the fund shares policy. The advantage of mutual funds involves the opportunity to invest in many different investment tools and companies in one place.

The trade-off with a mutual fund involves three sources of expense not associated with stocks or bonds. First, one pays expenses or fees to cover the cost of fund management and sales. Second, the possible tax consequences for a mutual fund are greater than for stocks or bonds. One pays taxes on the income earned from the investments within the fund in addition to the gains on the price of the fund one owns. Finally, by investing in a mutual fund, one dilutes or sacrifices his/her individual voting rights. In other words, owning a mutual fund prevents one from having a direct voice at corporate shareholder meetings.

A mutual fund is a convenience tool to make investing easier. The cost of this convenience lies in fees to the management, extra tax expenses, and losses of voting rights.

Defining rate of return would be helpful for this discussion. Rate of return refers to the speed (rate) at which the investment gives your money back (i.e. your return) and/or increases in value through a combination of dividend or interest payments and income. Your pulse rate is the speed at which your heart pumps, often measured as beats per minute. Consider rate of return as the financial pulse rate of your investments. It is measured as a percentage increase. This increase is generally measured in yearly terms. So, if you invest $1,000 and your investment is worth $1,040 in one year, it has an annual rate of return of four percent. The potential rates of return that investments may earn tend to vary according to the amount of risk. Over time, lower-risk investments have more stability of returns than higher-risk investments. Lower-risk investments tend to have a lower range of possible returns than higher-risk investments. Higher-risk investments have a wider range of possible loss than lower-risk investments.

Think of an ice cube and what happens when it encounters something warm. The cube becomes water or liquid. It liquefies. The same concept relates to investments. Cash is considered a liquid asset because it flows easily from one place to another. Liquidity is the ease with which you can convert your investment into cash, by finding a buyer. Bank deposit accounts are generally very liquid. Publically traded financial investments, such as stocks, bonds, and mutual funds, are less liquid than deposit accounts because they require additional time to sell. Real estate and commodities are also viewed as financial assets. Real estate is very illiquid because of the uncertainty of timing associated with finding a buyer and the time to process paperwork associated with the sale.

Liquidity is an important concept to consider because an investor cannot realize the return on investment until the investment has been sold. Think about this carefully. When an investment increases in value, or appreciates, the effect is commonly called a paper gain because the increase in value is purely based on trust. A paper gain says that if a person were to sell the investment, he or she would realize the gain indicated by the market. A paper gain means that the person's investments have increased in value if they were to be sold.

Here is where liquidity has importance. For many investments, such as real estate, the value of asset is speculative until the asset is actually sold. While there are different approaches and formulas to valuing real estate, those efforts represent sophisticated estimates based on different information sources. The true return on your financial investment is the amount of money that you receive when it is sold.

A positive relationship can occur between the average annual return on an investment and its risk. At the same time, a negative relationship can also occur. Your true rate of financial return is determined by the money received for the investment at the time that you decide to sell. The price of a financial asset is determined by what someone will pay for it. The price goes up if many people want to buy. The price goes down if many people want to sell.

Here is another reason that liquidity represents an important factor when saving and investing. You have probably heard about the great stock market crash of 1929, an event that is often associated with the Great Depression of the 1930s. What about the market drops of 1987, 2002, and 2008? How quickly can a person sell his or her stock shares on the day of a market crash? Market risk represents an important factor when considering financial investments because the value of the investments may change quickly.

Discussion Questions

1. The authors mention that many corporations make profits for their investors by actions that are harmful to other people. To what extent are profits possible through actions that do not harm others? Provide examples to support your view. When considering your examples, be certain to include all those affected by the corporate decisions.
2. Control relates to different aspects of investing. To what extent does having additional information about investments affect your ability to control your return? What information is important to help you decide whether or not to choose a particular investment? Explain the extent to which your answers are guided by feelings of compassion or control.
3. We have discussed rate of return as it relates to investments in financial worth. How would you interpret rates of return as they relate to investments in personal self-worth?

COMPOUNDING

Compounding is the process by which interest builds on interest previously earned or charged on a principal amount. Compound interest is money earned on both principal and previously earned interest. The terms of the account and nature of the investment determine the frequency of compounding. We will look at three investment opportunities and their results over five years. Investment A involves payment of seven percent simple interest. Investment B involves payment of seven percent compounded interest. Investment C involves a variable instrument that changes value based on the performance of the company. Its respective rates of return for years 1-5 are as follows: 10, 1, 8, 6, and 10 percents.

The simple sum of each investment's five annual returns is 35%. Investment A increased $70 each year. The interest associated with this option did not change each year. The compounding effect for Investment B generated approximately $70 more than the simple interest processes associated with Investment A. Investment C experienced the compounding effect; however, the rates changed from year to year. Year 1 involved a healthy return; however, year 2 involved a weak performance. Despite very good performances in years 3-5, the overall return for Investment C was not as strong as for the consistent compounding return for Investment B. Table 7.3 presents these investments and their rates of return.

Table 7.3. Returns for three different investments

	A	*B*	*C*
Beginning Balance	$1,000	$1,000	$1,000
Year 1	1,070	1,070	1,100
Year 2	1,140	1,144	1,111
Year 3	1,210	1,225	1,200
Year 4	1,280	1,311	1,272
Year 5	1,350	1,402	1,399
Rate of Return, Annualized	7.00	8.04	7.98

Investment C involved more risk than the other two options. The risk of a poor return became evident in year two, and the returns in years three through five could not meet the outcomes of investment that involved consistent compounded invest. The point of this comparison is that (1) given the same rate of interest, compounding of interest generates more of a return than simple interest and (2) variable rates of return may or may not generate more return than fixed rates of return, depending on the timing of the return. Looking at the table above, this makes intuitive sense. Year five shows a balance of $1,402. If the balance for year 10 is double that amount ($2,804) plus the results of additional interest from compounding of larger amounts, it could very easily approximate $3,000.

We will say that we want to know how fast the money in account B will double or reach $2,804. The Rule of 72 is a tool for estimating the time or rate of return required to double a sum of money. Given the stable compound interest rate, of seven percent, we can determine the time by dividing the number 72 by the rate to approximate the number of years. In this case, 72 divided by seven percent would be a little more than 10 years for the account to double.

The terms of the account and nature of the investment determine the frequency of compounding. When establishing a deposit account with a depository institution, the institution provides a contract that informs one about the conditions for the account. These conditions include the rate of interest (expressed in terms of Annual Percentage Yield) and the frequency of compounding. The Annual Percentage Yield is the return on the account after the effect of interest, other forms of income, and possible account fees.

The conditions for bonds are determined by contracts issued by the business or entity issuing the bonds. There are different types of bonds (e.g., coupon, zero interest, etc.) that pay interest in different ways.

Stocks do not pay interest. Their values change based on the interaction of buyers and sellers in a financial market. The price goes up if many people want to buy. The price goes down if many people want to sell. Stocks pay dividends which come from current or retained earnings.

Earlier in the chapter, we considered the concept of inflation, the rate at which prices for goods and services increase. Inflation reduces the real return on an investment. When determining the rate of return on an investment, it is important in calculations to subtract the rate of inflation for one to to realize the effect of the return on the ability to buy.

Here is an example. We will say that you are saving for college and you know that the rate at which college tuition increases is about eight percent each year. College is five years away. You have some money to save or invest and you need to decide between a certificate of deposit at the bank, some corporate bonds, and corporate stocks. Which do you choose? The certificate of deposit guarantees a rate of two percent. The corporate bond has an interest coupon rate of five percent and sells for the amount it at which it was issued. The stock is with a major growth company, and the price per share has averaged about ten percent in the last five years. We will compare these options:

Table 7.4. Outcomes of three different college investment possibilities

	Certificate	*Bond*	*Stock*
Expected Rate of Return	2%	5%	10%
College Tuition Inflation	8%	8%	8%
Real Rate of Return	-6%	-3%	2%

In general, a trade-off exists between the safety of an investment and its expected rate of return. According to the information in the above table, the stock provides the best investment. At the same time, the rate of return on the stock is based on returns produced by the stock over the previous five years. Stocks are valued based on the perception of buyers and sellers, thus the next five years may be similar or different to the earlier years. The alternatives involve real risk. The risk that the returns will not maintain the purchasing power of the money invested.

Which alternative should you choose? Investors can get information from many sources. The answer depends on you, your research of the options, the risk of loss that you can accept, and your sense of the ways that the businesses generate the returns on your money. It also relates to your sense of worth. The above investment comparisons related to relationships among numbers. What other factors should you consider?

You should consider the outcome on your personal self-worth. In this situation, you may also consider the purpose(s) for which the bank or company will use your money.

Remember that your decision also relates to the purpose that your funding accomplishes. While the real financial rate of return that you realize through the investment represents a worthy outcome, it is also important to consider the extent to which actions taken by the businesses funded by your investments involve principles of care and compassion towards their employees, communities, and consumers. Social return represents a valid consideration, just as financial return.

Does this sound inconvenient to you? Does it take more effort to find out about how businesses use the funding provided by their investors? Of course, it does. But, then you have read this textbook long enough to realize the price of convenience. When purchasing investments based on limited information, such as stock price, performance, and company name, one lacks a full awareness of the influences on rate of return; therefore, one is not fully informed as to the reasons why the investment acts in the manner it does.

When learning about the practices with regard to the treatment of suppliers of raw materials for manufactured goods, policies towards employee efforts to form unions, efforts to respectfully treat women in the workplace, and efforts to preserve natural wildlife and its environment, one becomes aware that the financial returns developed through investments relate to very serious matters. Your investing decisions involve matters of both financial worth and personal self-worth.

When purchasing a mutual fund, finding information about the activities funded by your investment money is much more complicated. The mutual fund is purchasing different financial tools that are issued by a large number of corporations and/or governments. One way to determine the use of your funds is to research what companies represent the largest percentages of fund holdings and find information on the companies that issue investment tools.

We will say that you do not have a lot of money to invest in stocks or bonds. It may be that you have no money to invest, only some money for a savings account.

It is possible that you are caught up paying off debt. In general, people with fewer financial resources cannot afford great amounts of financial risk. Therefore, they have potential for low returns on their savings or investments. People who control smaller amounts of money have resources to purchase small portions of the investments that are controlled by investors with more resources.

On the other hand, people who control large amounts of money have more investing opportunities and alternatives. People who control large amounts of money have the resources to purchase a wider variety of financial instruments. While investors can get information from many sources, those who control larger amounts of money have access to more information to guide their decisions.

Does this situation seem fair to you? Is it appropriate that some members of the population control vast resources of money and investments, while others owe large amounts of debt? Why does this situation exist? From one perspective, it may be argued that people in positions of great wealth make good financial choices and earn their financial status. The alternative view is that these people rationalize their social positions through claims of merit, when their decisions, in essence, take advantage of others.

What might be a solution to this resource access discrepancy? One answer could be the formation of a community group that pools its money and works together to evaluate and make financial investments. There are cooperatives formed in rural telephone companies in the state of Texas; these entities pay the participants in the cooperative dividends based on the amounts of money that the participants paid for their services. Each member owns a percentage of the investment account, as determined by the amounts of his or her contribution. Then the group meets regularly to discuss the status of the account, transactions since the last meeting, and the possibilities of buying or selling investments. A portion of the account could be designated as for cash transactions to give money to members who want to disinvest from the account and realize their portions of any gains.

Another possible solution would be the formation of a community group that works together to make physical improvements to the community, such as business revitalizations, home renovations, or environmental cleanups. There are also community art projects such as the Row House Project in Houston, Texas, that appreciate the history and culture of the people in a community and who want to preserve the communities into next generations. Because of relationships between community safety and simple home repairs (such as window replacements), investments in local neighborhoods can yield returns that bring peace of mind that cannot be measured by gains in publically-traded investments.

Still another solution involves the simplification of one's lifestyle to reduce dependency on major corporations that exploit people and the environment for goods and services. By investing in local businesses that are unaffiliated with large corporations and which exercise socially responsible practices, one may reduce the profits and capital that large businesses need to fund their operations. Thus, one increases his or her personal self-worth by showing compassion for their community and building its own sense of social worth.

Consider the concepts of financial worth and personal self-worth yet another time. To what extent does a person who practices care and compassion have a sense of personal self-worth that depends on the amount of his or her personal finances?

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FINANCIAL LITERACY BENCHMARKS

4th Grade

Conventional Standards	*Compassionates Standards*
People save for future financial goals.	Peoples' abilities to save for future goals are influenced by their senses of personal self-worth and by their financial situations.
Every saving decision has an opportunity cost.	People who have less money experience fewer opportunity costs than those who have more money.
Banks, savings and loan associations, and credit unions are places people can invest money and earn interest.	Depository institutions are places people can invest money and earn interest. Many banks and institutions have fees and requirements that limit the abilities of people to set up deposit accounts.
	Many people do not have deposit accounts with depository institutions. These people are called the "unbanked."
Piggy banks are places to hold savings. Savings accounts and savings bonds are ways to earn money from income not spent.	People may have containers in their homes for saving coins. These containers are generally referred to as piggy banks.
	People may sell their money to banks (through savings accounts) or the government (through savings bonds) and expect to earn interest.
After people have saved some of their income, they must decide how to invest their savings so that it can grow over time.	When people have saved enough money for emergencies, they may choose to invest savings for other purposes. Many people have difficulty saving enough money for emergencies.
A financial investment is the purchase of a financial asset, such as a stock, with the expectation of an increase in the value of the asset and/or increase in future income.	A financial investment is the purchase of a financial asset, such as a stock, with the expectation of an increase in the value of the asset and/or increase in future income.

8th Grade

Conventional Standards	*Compassionate Standards*
Saving means setting income aside for emergencies and immediate needs. Investing means putting money to work earning more money for the future. Funds for investing often come from current income not spent.	Saving means setting income aside for emergencies and immediate needs. Investing means setting money aside in riskier locations for the longer term.
Investments differ in their potential rate of return, liquidity, and level of risk.	Investments differ in their potential rate of return, liquidity, and level of risk.
There is usually a positive relationship between the average annual return on an investment and its risk.	A positive relationship can occur between the average annual return on an investment and its risk.
Compound interest is money earned on both principal and previously earned interest.	Compound interest is money earned on both principal and previously earned interest. The terms of the account and nature of the investment determine the frequency of compounding.
Inflation reduces the return on an investment.	Inflation reduces the real return on an investment.
The Rule of 72 is a tool for estimating the time or rate of return required to double a sum of money.	The Rule of 72 is a tool for estimating the time or rate of return required to double a sum of money.
Investors can get information from many sources.	Investors can get information from many sources.
People can buy and sell investments in different ways.	People can buy and sell investments in different ways. People who control large amounts of money have more investing opportunities and alternatives.
Financial assets include a wide variety of financial instruments including bank deposits, stocks, bonds, and mutual funds. Real estate and commodities are also often viewed as financial assets.	Financial assets include a wide variety of financial instruments including bank deposits, stocks, bonds, and mutual funds. Real estate and commodities are also often viewed as financial assets.
	People who control large amounts of money have the resources to purchase a wider variety of financial instruments.
	People who control smaller amounts of money have resources to purchase small portions of the investments that are controlled by investors with more resources.

(Continued)

Conventional Standards	*Compassionate Standards*
Interest is received from money deposited in bank accounts. It is also received by owning a corporate or government bond or making a loan.	Interest is money paid by the bank for funds deposited into their accounts. It is also money paid by corporations or governments on bonds or loans.
When people buy corporate stock, they are purchasing ownership shares in a business. If the business is profitable, they will expect to receive income in the form of dividends and/or from the increase in the stock's value. The increase in the value of an asset (like a stock) is called a capital gain. If the business is not profitable, investors could lose the money they have invested.	When people buy corporate stock, they purchase ownership shares in a business. If the business is profitable, they will expect to receive income in the form of dividends and/or from the increase in the stock's value. The increase in the value of an asset (like a stock) is called a capital gain. If the business is not profitable, investors could lose the money they have invested.
	People who own large percentages of corporate stock shares generally control the outcomes of shareholder elections.
The price of a financial asset is determined by the interaction of buyers and sellers in a financial market.	The price of a financial asset is determined by the interaction of buyers and sellers in a financial market. The price goes up if many people want to buy. The price goes down if many people want to sell.
The rate of return on financial investments consists of interest payments, dividends, and capital appreciation expressed as a percentage of the amount invested.	The income and growth from financial investments consist of interest payments, dividends, and capital appreciation.
Financial risk means that a financial investment has a range of possible returns, including possibilities of actual losses. Higher-risk investments have a wider range of possible returns.	Financial risk means that a financial investment has a chance of losing value. Higher-risk investments have a wider range of possible loss.
The rate of return earned from investments will vary according to the amount of risk. In general, a trade-off exists between the security of an investment and its expected rate of return.	The rate of return earned from investments will vary according to the amount of risk. In general, a trade-off exists between the safety of an investment and its expected rate of return.
	In general, people with fewer financial resources cannot afford great amounts of financial risk. Therefore, they have potential for low returns on their savings or investments.

ACTIVITIES

Activity 1

According to the Library of Congress, (http://www.loc.gov/rr/business/hottopic/stock_market.html) the stock market originated from an agreement among 24 stock brokers. Select one of the 24 stock brokers mentioned, such that each member of your class has a different assigned person, and research his/her family lineage to 2014 as best you can. You may wish to use the following websites: http://records.ancestry.com/, http://www.nyhistory.org, and http://www.genealogy.com/. As a class, come back together and share your findings. Discuss your answers to the following questions:

- To what extent are the current descendants of the original stockbrokers wealthy? Support your decision by comparing and contrasting descendants within the same family.
- What personality traits characterize the current descendants of the original 24?
- Based on your research, to what extent is personal wealth something inherited or a matter of merit? Explain your reasoning.

Activity 2

When corporations hold shareholder meetings, the shareholder voting process occurs based on the number of shares in the company that a person owns. In other words, if you own 20 shares and another person owns 200 shares, the person has ten times more voting power than you.

Identify three publicly traded corporate stocks that you often hear about or perhaps that you own. For each stock, (1) research its stock performance over the last five years and compare to the overall market performances and (2) conduct an Internet search to determine what entities own the most number of shares. Then answer the following questions:

- Imagine that the corporation has maintained the same stock ownership structure over the last five years. To what extent do the price fluctuations affect each shareholder? Explain your thinking
- How do you view your potential to have a significant voice in matters that shareholders decide?
- Conduct additional research on the corporation in terms of its record of performance in relation to human rights, the environment, ethical business practices, and government influence. You may need to look for news reports. Based on your findings, answer the questions under the next two bullets.
- Compare your stock's performance to your research findings. To what extent would you be interested in owning stock in this company? How may ownership affect your financial worth? How may it affect your personal self-worth?

- Imagine that you are a shareholder who has just discovered that the corporation has a poor human rights record. What strategies could you consider to work towards change in existing corporate policies?
- Often times, local television and radio business reports will provide information about stocks of local interest. Select one or two of these companies and as a whole class conduct research into the company's record on human rights, the environment, and fair business practices. Have a class debate that concerns the extent to which ownership of the stock relates to one's financial worth or personal self-worth. Plan for a school-sponsored community forum that invites corporate representatives and university researchers to discuss the nature of corporate performance in the areas mentioned above.

Activity 3

View the photograph of the floor of the stock market at the following link: http://www1.nyse.com/images/about/BrightHorizonsTF.jpg and answer the following questions:

- How would you characterize the personal self-worths and financial worths of the individuals in this image? Explain your response.
- What socio-economic traits can you glean from the individuals in this image? What basis for these ideas can you offer?

Activity 4

This chapter presented the idea that being a saver/investor is much like being a creditor. While this analogy makes conceptual sense, the reality is that bank accounts pay only 1–2% interest and bank loans charge 4–5% interest. If you are saving and borrowing at the same institution, your rate of interest expense is more than your rate of interest income.

Imagine that you are interested in establishing your financial situation such that the rates of return on your financial assets are greater than the interest expenses on your debts. What are some strategies that you can use to create a positive interest margin (such that the amount of interest earned is more than the amount of interest paid) for your finances?

A positive interest margin represents a step towards increasing your financial worth. To what extent may it be possible to amend your interest margins while increasing your personal self-worth?

Depository institutions (such as banks, credit unions, and savings and loans) are subject to state and/or federal laws to protect the funds of the depositors. The regulators evaluate the depository institutions on the CAMEL system. The components of this system are Capital, Assets, Management, Earnings, and Liquidity. How might you apply this rating system evaluate your financial worth?

To what extent might you apply this system to evaluate your personal self-worth? Provide details to support your view.

Activity 5

This chapter mentioned the concepts of the unbanked and the underbanked. For a class project, go out into the community and individually survey citizens, chosen at random, about whether they have a deposit account at a bank. Chart the number of people who do and do not have such an account.

For those people who tell you that they have accounts, thank them for their time and move on to the next person/survey participant. For those people who tell you that they do not have accounts, ask them the reasons for not having an account.

After conducting your survey as individual class members, come together as a whole class and compare and contrast your independent findings. As a class, discuss any patterns that you observe in the reasons people are unbanked. Also, discuss some strategies that the community can use to address this situation.

CHAPTER 8

LIVING ON THE MARGINS

In this text, we have explored the different areas of financial literacy through a critically compassionate lens. We have considered that developing a sense of personal self-worth that derives from appreciation for oneself offers an alternative perspective from the belief that control of money, things, or people provides a path towards fulfillment. We have also considered that such an approach may release one from the financial control that others may impose.

This chapter concerns the matter of financial literacy with regard to those people commonly on the social margins. The authors recognize that patterns of stereotyping occur in society and that conventional approaches to financial practice apply and reinforce these stereotypes. Scholars, such as Pinto and Coulson (2011) and Conley (2001) describe the patterns of financial exclusion and social bias in financial education curricula and practice that perpetuate marginalization of underrepresented groups. While North American society professes to be an environment of equal opportunity for all individuals, the reality remains that the combination of one's physical traits, behaviors, and beliefs represent the basis for social interpretation and judgment. Thus, our principle of developing and focusing on personal self-worth offers an alternative approach to the conventional notions of wealth accumulation and greed.

Many people live in conditions that involve patterns of oppression, abuse, persecution, poverty, and blight. For these individuals to escape from these situations, it takes support and courage to realize that (1) one is not at fault for recurring expressions of anger that others project, (2) creating distance from those who would target or bully them represents an important step in preserving a sense of personal self-worth, and (3) establishing safe environments that provide assistance without expectation of compensation offer a long-term source of relief from the problem setting.

A critically compassionate approach to financial literacy stands in contrast to existing frameworks that advocate and practice the use of people as objects for financial accumulation and social advancement. The target of our criticism lies in a system of selfish and inhumane treatment of other people for self-promotion. While it is recognized that a certain amount of mutual support provides the basis of community, the economic basis for judging peoples' worth or interpreting their lives represents a form of objectification that disrespects the nuanced stories that define a population.

Global patterns of human and drug trafficking use individuals as pawns for the economic advancement of people who lack compassion for themselves and who terrorize innocent victims. We feel sad for the perpetrators of these conditions, as they too, are victims of conditions that have caused them to lose such respect for themselves, such that they lack capacity to acknowledge their difficulties and pursue such heinous means to generate capital that project their anger on others.

It is difficult for anyone to be genuinely compassionate towards an oppressive or controlling person, who employs direct force or subtle manipulation for long periods. Such control tendencies can develop within victims of a controlling environment or in oppressive persons who seek to control things or people to compensate for their inner insecurity. The objects of control often include money, financial acquisitions resources, and/or security resources to ensure compliance of those subjugated to authoritarianism.

Research literature that relates to financial and consumer education identifies the various financial needs of difficult cultural groupings, such as gender (Burton, 1995; Doval, 2001; Hira & Mugenda, 2000; Lusardi & Mitchell, 2008), race/ethnicity (Cutter, 2006; O'Toole, Arbelaez, & Dixon, 2004), and age (Borg, Hallberg, & Blomgvist, 2006; Bryła, Burzyńska, & Maniecka-Bryła, 2013). An inner sense of compassion occurs regardless of one's cultural and familial histories, physical characteristics, life experiences, and lifestyle choices. Many of these conditions represent matters that derive from factors over which one has no choice. As such, compassion for oneself requires the realization that one is not responsible for the conditions and contexts within which one develops, yet one is responsible for his or her decisions given these conditions and contexts. It involves the acknowledgement that, (1) like oneself, others did not choose the conditions that they experience and (2) condemnation of others presumes they have a choice in their physical characteristics and the conditions of their development (Lucey, 2012).

Armstrong (2011) observes that "If we remain trapped in…greedy, needy selfishness, we will continue to be unhappy and frustrated. But as we acquire a more realistic assessment of ourselves…we will begin to feel more detached from…negative emotions and refuse to identify with them" (p. 88). Developing a compassionate sense of personal self-worth represents a first step toward inner security that underlies the courage to pursue a lifestyle that values others for who they are.

Focused financial research on members of various cultures runs the risk of being a process that could assign particular financial behaviors or tendencies to individuals based on their outward characteristics (i.e. stereotyping). Having a sense of personal self-worth includes the realization that one's financial decisions involve an awareness of the nature of this social presence and the importance of seeking caring financial environments that reaffirm a sense of compassion.

As we reflect on the previous chapters, we may be thinking that caring financial environments represent difficult places to create or locate. Despite that belief, we encourage you to identify compassionate individuals or groups or create a group of your own—in order to foster such a caring financial environment. Rather than providing references for a network of "approved" caring locations for financial wellness, we suggest that you reflect upon what psychological and social characteristics such persons or groups might possess and seek individuals or groups that might exhibit caring and trusting living approaches.

As you pursue such persons or groups, you may notice that some friends and associates resent your change in behavior. Such a response is typical of what happens when one loses control of an object. By reflecting on others' responses, you can determine the extent to which other people that you know operate on a principle of control versus compassion. Those compassionate to you will appreciate your choices and provide support for your decisions.

What are the symptoms of these conditions and what might such new directions look like? For people of different ages, genders, and contexts, the answer varies. By providing examples that illustrate these situations from a variety of perspectives, we offer opportunities for you and your classmates to share ideas about such conditions and develop strategies for compassionate decision-making. The remainder of the chapter provides several case studies and supporting activities that offer a basis for reflection and conversation. We encourage you and your classmates to study these cases, researching (where applicable) original sources that provide more detail about them. After these cases, we offer some final thoughts and activities.

CASE STUDY 1

Our first case concerns the issue of access to health insurance and a scenario in which a teacher who worked for a large school district transitioned to a small private school and gave up her insurance. In other words, she allowed her compassion for children to release her from the administrative control of large school system. We will consider this situation created by a catastrophic accident.

Amy was a long-time teacher. She had worked in public school for more than 20 years, growing very fond of her students and maintaining ties with them and their families over her career. The personal satisfaction that she received from her work in the classroom decreased as teachers had to pursue more administrative-oriented processes. When she was ready for a change, she accepted a teaching position in a small private school in her town. In this new working situation, the salary would be lower, and there would be no group health insurance coverage. To compensate for the loss of money and health insurance benefits, Amy would work as the English teacher with a school of 100 students. In this new setting, her teaching was not constrained by prepping students for state-mandated testing, and she was not confined to the stacks of paperwork that over the last three years had prompted an increasing disdain for the bureaucracy that distracted her from focusing on the children.

Knowing that she needed to find insurance coverage, Amy made some phone calls and was in search of health insurance when she decided to take a trip to visit her son in a major metropolitan area. She arrived at her destination and had a wonderful visit; however, the one day shoes she wore caused her to slip and skid across a slippery floor. This incident caused multiple fractures in her right arm and shoulder. In excruciating pain, she rode in an ambulance to a hospital where medical professionals tended to her emergency needs, performing tests, X-rays, and surgeries to put steel reinforcements with metal screws into her shoulder and arm.

Amy was forced to tell the hospital that she did not have health insurance. She explained that she had changed jobs and was in search of medical coverage when this accident happened. She approached the hospital administrators, explaining that she was a cash-pay-for-treatment patient.

Luckily, the hospital made adjustments, as did all of the specialists who performed Amy's surgery, who prescribed her treatment and medication plans, and who referred her to physical therapy over several months. When Amy had gone through a two-week stay in the hospital and six weeks of physical therapy, she was allowed to return home to her town more than 300 miles away. She made arrangements with all of her medical providers to pay for her medical treatment with her own money.

Essentially, Amy paid the deductible costs that she would have if she had possessed health insurance. The doctors, hospital, and physical therapy team forgave all other costs except for the twenty percent cost of her medical treatment.

Amy was aghast that she had suffered this serious fall and worst of all, this had happened during a transitional period of her professional life when she was going from a teaching job in which insurance benefits were available and provided to one in which they were not. Amy learned several lessons from this situation as they relate to (1) the manner of interpreting risks that prompt needs for medical insurance coverage, (2) the trust in one's community to pursue various kinds of treatment that one needs, and (3) the notion of personal self-worth and its role in pursuing contacts who are willing to work with the medical institutions and professionals to ensure that cash treatment will pay for the medical bills, that a payment plan will be established and adhered to, and that the patient will pay for the services at the cost that s/he would have paid had s/he had medical coverage.

Consider how Amy might have prevented the development of her predicament. For example, think about the stress and frustration she experienced due to conditions associated with the well-paying teaching position and how it hampered her ability to anticipate contingencies associated with her employment transition. What should she have done that she did not do?

In addition to learning that a situation in which a person can provide for her own medical insurance can become medically uninsured, we also realize a lesson about the role that fortune plays with regard to compassionate economics of health institutions. Some institutions may not treat patients if they do not have insurance, or provide them with temporary care to address the immediate need.

ACTIVITY, CASE STUDY 1

Divide into groups and answer the following questions. Be prepared to summarize your answers to the class.

1. Imagine yourself in an unhappy professional situation or job that provides professional services, such as Amy's teaching situation. You wish to find a more self-fulfilling work situation. What are some considerations that must be taken into account when contemplating a job change?
2. In this text, we have considered the concept of employee benefits. What situational work benefits add to the value of one's salary?
3. What is the meaning of health insurance coverage? How does evidence of coverage affect one's eligibility for medical treatment?
4. When contemplating a potential a career or job change, at what point should a person always consider health insurance coverage?
5. If a person is very unhappy in his or her job and wishes for a change, but it entails giving up medical care benefits, what contingencies should be considered? What alternative actions could Amy have contemplated?
6. How does a medical provider who allows the patient to pay for treatment without the insurance supplement relate to the definition of compassion as explained in this text?
7. To what extent should medical providers exercise compassion towards a family or member of a family that loses a job, income, and/or health care insurance benefits? What are some examples?
8. What if a member of a family experiences a medical emergency and the family cannot afford coverage? What kinds of arrangements can be made with the medical institutions?
9. This text has considered the concept of trust. How relevant would this concept be if you experienced a medical emergency but had no insurance coverage?
10. Consider the notions of trust and manipulation. How do they apply to the responsibilities to pay the medical providers as agreed? What if there are other circumstances that interfere with payment of medical charges?

CASE STUDY 2

Dostoevsky's classic literary work, *Crime and Punishment,* centers on a former college student, Raskolnikov, who has virtually no money and is responsible for significant financial debts. He possesses a largely negative social disposition, having observed patterns of exploitation through employment practices and the prostitution of women. At the same time, Raskolnikov possesses a compassion for those who care for him, in particular, his sister and mother, and the house servant who brings him food. The novel revolves around Raskolnikov's murder of a pawnbroker and her younger sister. Owing significant debts to the pawnbroker, he confirms in his mind the decision to murder her after he pawns a gold watch for additional monies.

This fictional character provides an opportunity to examine differences between personal self-worth and financial worth. The main character experiences a great deal of anger about the patterns of exploitation that occur within the city. At the same time, his inability to internally process hurt prompts his projection of anger upon those around him, even when they attempt to be charitable. His indebtedness leaves him subject to the control of others, putting constraints on the funds that he receives, and his mechanism for seeking relief lies in the murder of one who exercises financial control.

By reading the novel, we cannot learn all the particulars that influence Raskolnikov. However, we can use the character's context to develop ideas for escaping his plight without murdering the pawnbroker. Consider his predicament: an unemployed former student who owes debts to his landlady and a pawnbroker. His living space consists of a small room, wallpapered to cover holes in its walls. A couch, used as a bed, represents the sole furnishing. He is angered by a letter from his mother that describes his sister's betrothal to a rich man whose motive for marriage lies in possessing a woman who is financially dependent.

Consider Raskolnikov's sense of personal self-worth and financial worth. What decisions might he make to improve both of these predicaments without committing a murder? What sources of compassion might be sought and how might they provide him with the sense of personal self-worth that he lacks?

ACTIVITIES, CASE STUDY 2

Activity 1

Conduct a mock interview of Raskolnikov that uses the empty chair technique (in which an empty chair serves as a prop to indicate the presence of the interviewee) to unmask his thinking about his personal self-worth and financial worth. As part of the interview, ask to what extent he feels threatened and comforted in his society. By what authority does he take the pawnbroker's life?

Activity 2

Develop two monologues, one for Raskolnikov and the other for the pawnbroker. For each monologue, each character should present his or her autobiography, explaining the lifestyle that he or she practices at the time of the murder. In each monologue, have each character describe the basis for his or her personal self-worth and financial worth and their relationship to his or her fate in the novel.

Activity 3

Look through your local newspaper for recent articles that concern crimes in the local community. What motives prompt the perpetrators to commit the crimes reported? To what extent do the perpetrators have senses of financial or personal self-worth? To what extent do they attempt to control others? To what extent are they in the control of others? What details from the stories inform your thinking?

CASE STUDY 3

This case study builds from an activity suggestion found in an article by Lucey (2007). It concerns an analysis of the character Magwitch in Charles Dickens's *Great Expectations* (1860/2014). Early in the story, Magwitch escapes from a debtor ship and receives food and assistance from the young protagonist, Pipp. The story begins with Pipp being raised by his older sister and her husband Joe, who have little money, and who treat him respectfully. In the story, Pip performs work for Mrs. Havisham, by spending his days at her house socializing with a beautiful girl. Pip receives word that he is the beneficiary of a large sum of money from an anonymous person who is paying for him to be a respectable societal gentleman. Pip speculates about the possibilities of who his benefactor may be and considers all of his immediate social acquaintances. Eventually, he learns that Magwitch is the person who has provided the money for his education and place in society. The gift results from Pipp's good deed at the beginning of the story.

This case study represents an opportunity to consider the nature of personal self-worth, financial worth, and the challenges of judging others by their patterns of clothing, employment, shelter, and behavior. Money does not discriminate against the person that it associates with. It is a currency accepted everywhere. The element of bias or prejudice regarding financial ways and means lies within ourselves as we judge others based on the financial controls we feel in our lives. To what extent does society forsake people's lives and stories because they have committed crimes of which they had no control? Consider how society relishes the story of a national leader and his or her rise to power. To what extent does society value the story of one who loses it all? Revisit Amy from Case Study 1 and consider what her injuries might have been had the medical community decided to ignore her plight and initiated legal proceedings for insurmountable debts.

ACTIVITIES, CASE STUDY 3

Activity 1

Develop a skit to reenact the scene between Pipp and Magwitch. Brainstorm some different ways that Pipp could have reacted in response to the encounter and dramatize them. How does each behavioral alternative relate to notions of Pipp's personal self-worth? How does each relate to his personal safety? How does each behavioral alternative relate to notions of Magwitch's personal self-worth and safety?

Activity 2

Locate recent literature that concerns the narratives of those who are poor or imprisoned; for example, consider Underground America: Narratives of Undocumented Lives by Peter Orner (2008), Inside this Place, Not Out of It:

Narratives from Women's Prisons Ayelet Waldman & Robin Levi (Eds.) (2011); Invisible Hands: Voices from the Global Economy by Corrinne, Coria (2014); and Surviving Justice: America's Wrongfully Convicted and Exonerated by David Eggers, Lola Vollen, and Scott Turlo (2005). After reading these accounts, answer the following questions.

- To what extent are the subjects of these narratives the victims of bad choices?
- To what extent are they victims of difficult circumstances?
- How would you describe the subjects' views of and bases for their personal self-worths? How do these perspectives relate to their situations?

Activity 3

Compare and contrast Magwich and Raskolnikov in terms of personal self-worth and financial worth by developing image and song pairings--one pairing for each character. How might the outcomes of their stories have been different if they had experienced people with different blends of compassion and control at critical points in their lives?

CASE STUDY 4

Imagine that you are a long-time employee of a regional chain of grocery stores. You have spent many years working as a meat cutter making just enough money to help your family get through difficult times. The work environment feels very family-oriented, with the Chief Executive Officer (CEO) asking specific questions about your family's welfare whenever he sees you.

You learn that the CEO has been dismissed by the board of directors because of uncertain aspects of his leadership. Soon after his termination, six high level workers resign from their positions. The company hires individuals from outside the company, and you observe policy changes that emphasize corporate profits and a decrease in attention to employee relationships. You are particularly concerned about reductions in the financial benefits that were once available to you under the former CEO.

Many of your co-workers have begun to express their dissatisfaction with working conditions and the inattentiveness of upper management to their concerns. Many speak about going on strike as a strategy for bring attention to their concerns. You worry about your family's financial welfare; however, you also experience concerns about working conditions and the declining morale.

ACTIVITY, CASE STUDY 4

Develop a court simulation in which the corporation has taken legal action against the employees to force their return to work at the store. Develop some ideas about the corporation's perspective and research the employees' points of view. Try the case, using "expert" witnesses who are very well versed in the arguments for each side. Select a judge to oversee the case and inform the jury what evidence they should or should not consider. To what extent does the case represent a matter of financial worth? To what extent does it represent a matter of personal self-worth?

CONCLUSION

Darren Lund and Paul Carr (2008) as well as other scholars, discuss thick and thin views of social studies learning. We have applied this concept of thick and thin social studies notions to financial literacy and practice. A compassionate approach to financial literacy espouses a perspective that recognizes one's position in society as a matter that occurs in association with others. This perspective values other societal participants for who they are, rather than objects of one's control, and values oneself independent from the control of others.

When considering financial literacy and matters of cultural responsiveness and social justice, the topic of marginalized groups and economic disenfranchisement arises. The authors acknowledge the existence of such conditions. Chris Arthur (2012) points out that the overemphasis on mathematics within conventional approaches to financial literacy education processes distracts from the presentation of unjust social/political frameworks in which corporate elites preoccupied with abstract notions of wealth lack genuine compassion for the masses of people who struggle for daily existence. Arthur (2012) observes that in this system, financial literacy education reinforces pursuit of wealth accumulation by pandering to processes that inherently bias the wealthy. In this system, a small network of corporate elites directs and manages the systems of wealth, education, and technology to control a grand system designed to sort individuals for the elites' own economic needs (Picciano & Spring, 2012).

The exploitation of people for profit on the basis of age, gender and perceived race/ethnicity represents a social phenomenon that has persisted for some time and will continue. The sadness of these conditions relates to the absent or misdirected basis of personal self-worth within the perpetrators of these human crimes. We encourage readers to have compassion for those responsible for these atrocities and the conditions that prompted their need to control others in such manners.

While this compassionate view stands in opposition to financial literacy perspectives based on notions of wealth accumulation, it also involves an element of compassion for those who hold such points of view. Just as fate plays a role in one's own point of social origins, by acknowledging that it plays a role in the origins of others, we can recognize that those who would seek to control financial resources did not choose to occupy their contexts. Rather, they are victims of the environments that they experience and need to be cared for as such. A compassionate approach to financial literacy involves caring for those who would delight in the control of others and helping them to realize their own personal self-worth.

Finally, while this text presents an innovative approach to financial literacy, we acknowledge that this text is arguably founded in advocacy, rather than a wealth of hard research. Our justification rests on three points as follows: (1) that the nature of behavioral science represents an exercise in the practice of advocacy, (2) that emerging scholarship provides support for this critically- compassionate perspective of financial literacy, and (3) that the patterns of financially-rooted scandal and controversy that persist within human society today require a new perspective—one that needs to be first voiced, refined, and then empirically tested.

When considering the scientific method (the development and testing of hypotheses) as applied to the behavioral sciences, one should not ignore that these researchers study populations of which they are members. Thus, the hypotheses interpreted and theories developed involve biases associated with the tradition of thought experienced through their socioeconomic, geographic, gender, religious, and sexual-orientation, ability, and age lenses. Certainly, discourse represents a process for evaluating the merits and shortcomings of theories; yet, the parties to conversation shape the patterns of argumentation within the discourse. Van Fossen's (2006) observation that chatroom conversations involve like-minded persons applies to academic theory in that community formation involves like-minded individuals. Macintyre's (1988) classic work, which described three traditions of moral philosophy, involved a perspective limited to the intellectual ideas of the European elite. A complete discourse about the behavioral sciences cannot occur without providing and valuing the voices from all perspectives. Critical scholars such as Paulo Freire (1970) and Joe Kincheloe (2005, 2008) believed that we must look at social situations through the eyes and experiences of those who are subjugated within societal hierarchies—that is those who are on the bottom rungs of the social ladder. Thus, while a large body of researchers may agree upon a particular perspective on a social phenomenon, a small body of researchers may hold an alternative point of view that has theoretically- and/or empirically-founded legitimacy, though it may lack popularity or defy the social myths that media and political forces perpetuate.

This text references scholarly sources from fields of psychology, history, and economics to support the critically-compassionate approach to financial literacy. Literature contains arguments and evidence that (a) point to social bias in conventional financial literacy curricula, measure, and policy (Lucey, 2005; Pinto & Coulson, 2011; Pinto, 2013) and (b) call for an alternative perspective of financial literacy (e.g., Arthur, 2012; McGregor, 2010). Some preliminary empirical evidence for a moral component to financial education may be found in surveys of elementary school teachers and pre-service teachers (Lucey et al., 2007; Lucey & Bates, 2010). These studies indicate that elementary teachers tend to agree with proposed moral tenets of financial education and that preservice teachers tend to agree with the need to teach about issues of financial morality. Lucey (in press) also provides evidence that preservice teachers develop pro-social attitudes through efforts to teach about broad financial literacy notions. In short, theory and preliminary empirical evidence support efforts at fuller expression, development, and refinement of a socially-conscious approach to financial literacy. In this text, we attempted to provide an elaboration of one possible approach in the hope that it will inspire others to pursue implementation and empirical investigation of its tenets.

One doesn't need to read many newspapers or view many news programs to learn about the recurring unethical behavior among prominent social and economic individuals. Instances of bribery and embezzlement attest to ongoing quests to exploit social environments to gain control of material resources. Such practices are not limited to the elite. The potential for such behavior exists within all persons, regardless of social position. The approach to financial literacy expressed in this text serves to counter these processes of objectification with a vision of human development that is not bound to material wealth as the source of individual and social identities. Rather, people can be much more than their financial assets and we need only look to models of compassionate behavior as that seen in Mother Theresa or Mahatma Ghandi to confirm what we know to be true about the kinds of human traits needed to make a better world.

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ACTIVITIES

Activity 1

Jan Brett's classic book, "The Mitten" represents an interesting study that relates to economics. As a class, read the story and then consider that you are in the position of one of the animals. Reenact the story with your classmates. Then answer the following questions.

- To what extent did the animals choose to find the mitten? How does your response shape patterns of argument about the animals' rights to the mitten?
- What animal got to the mitten first? To what extent did the animal choose to get to the mitten first? What are the bases for your patterns of argument?
- The story represents a tale that involves scarcity of resources. To what extent does control of the mitten improve the individual worth of each animal? What is the basis for your response?

Activity 2

As a class, listen to the song "Fast-Paced World" by the Duhks, while viewing an image of George Segal's sculpture entitled "Rush Hour." View the lyrics to the song at the following website, http://www.lyricsfreak.com/d/duhks/fast+paced+world_21012956.html. After listening to the song and viewing the image, answer the following questions.

- What is sacred that has been forgotten as described in the song?
- To what extent does the song speak of compassion and caring? To what extent does it speak of control?
- To what extent does the song reinforce the meaning of the image presented? What aspects of the music inform you of these meanings?
- Distribute and study the background information sheet about Fast Paced World and Rush Hour. How does this information inform you about the song artist and her intentions?
- Look closely at the image of the sculpture. What emotions do the figures convey? What features inform you of these emotions?
- To what extent does the image reinforce the meaning of the song?

Organize into four groups. Each pair of groups should develop two artworks, one visual and one musical that reinforce each other to convey ideas about the meanings of personal self-worth in an economically-focused environment. Perform your compositions while displaying the supporting images. Then answer the following questions.

- Compare your feelings before and after your experiences performing you views. Describe the nature of your emotions. To what extent do you feel control? Release? Compassion?

- How would you describe the content of your compositions and images? What societal characteristics do they present? To what extent may they convey notions of social justice? Personal self-worth?

Activity 3

Go out into your community and, using your cell phone, take five pictures of conditions in your community that involve social injustices. Come back to the classroom and share your images in small groups. Review the pictures and identity the patterns that you observe. To what extent are these injustices related to matters of control? Describe possible solutions to these situations based on principles of compassion as interpreted by the text.

BACKGROUND INFORMATION

Fast Paced World (The Duhks, Sara Dugas)

The Duhks is a Canadian Country/Folk Band which incepted in 2002 with the release of the CD, *Your Daughters and Your Sons*. It received a Grammy nomination in 2006 and a Juno nomination in 2007.

Sarah Dugas and her brother, Chris, were raised in a musical family that toured across Canada. Ms Dugas sang lead vocals for the band from 2007–2011 and contributed much of the material on the CD, Fast Paced Word. Her blues influence provided a unique dimension to the group, which has earned them critical acclaim.

Rush Hour (George Segal, 1924–2000)

Segal's Rush Hour is on display at the Nasher Sculpture Center in Dallas. It is one of the many of his sculptures that involve street scenes. This artist's subject matter depicts and memorializes the common man and everyday occurrences. His desire is to reveal philosophical and/or psychological truths about his naturalistic figures, their actions, and their times. He communicates multiple levels of meaning through simple, subtle gestures and specific environments.