Economics Review 2

**Brainpop Budgets**

1. What is a budget? A plan for **managing** your money

2. A budget compares how much you **earn** compared to how much you **spend**.

3. All the money a person earns over a period of time is called their **income**.

4. Anything a person spends money on is called an **expense**.

5. An **essential** expense is one that is for something a person absolutely needs.

6. A **non-essential** expense is one that is NOT needed, but wanted.

7. An expense is considered **fixed** if it is the same amount every month.

8. An expense is considered **variable** if the amount is subject to being different from month to month.

9. **Debt** is owing money.

10. Debt is bad because it often means you **can’t pay** for everything you need and possibly end up in **bankruptcy**.

**Brainpop Budgets FYI**

11. Each year the President and Congress are required to pass a **Federal Budget**.

12. If the government has money left over at the end of the year, it is said to have a **budget surplus**.

13. If the government owes money at the end of the year, it is said to have a **budget deficit**.

14. The **National Debt** is the total amount of money the Federal government owes to states, individuals, corporations, and foreign governments.

**Brainpop Comparing Prices “Dollars an Cents” FYI**

15. The **retail price** is the regular price you’d pay for something at a regular store.

16. The **wholesale price** is a price that is a little less than the retail price because the purchased item is from a warehouse-type store that carries larger amounts of products which allows them to sell them for a lesser amount.

**Brainpop Comparing Prices “Do it!” FYI**

Complete the exercise.

**Brainpop Credit Cards**

17. Buying with a credit card is like having a **special loan**.

18. A **credit provider** is a special kind of business, like a bank or credit card company that provides an individual with the credit card and credit limit.

19. A **credit limit** is the maximum amount a person can use a credit card to pay for something.

20. When a credit or debit card is “swiped” at a store, it is **authorized** for use, electronically.

21. If the “swiped” card is accepted, this is said to be **approved**.

22. If the “swiped” card is not accepted, this is said to be **declined**.

23. If you use a credit card or debit card to order on-line or if the store’s machine can’t read the magnetic code on the back, then the **account numbers** on the front are manually typed in.

24. When using a credit card, **signing** the **receipt** means that you are agreeing to re-pay the provider.

25. A monthly **statement** is provided by the credit provider that details your **purchases** for that month and the total amount of money a person owes, which is called their **balance**.

26. If the **balance** is paid by the **due date**, then no interest is charged and it is like a free loan.

27. If the balance is not paid off, then whatever is left is carried over to the next month and an **interest charge** is placed on the outstanding balance.

28. If the minimum balance is not paid by the due date, there is often a **late fee** charged, which is a **penalty** for being late.

29. The best thing to do is **NEVER** spend money that you don’t have.

30. **Bad credit** means that creditors won’t loan money to someone because they have a bad history of late payments or not paying at all.

**Brainpop Interest**

31. What is interest? Money a bank **pays you** for keeping your money there or the extra money **you pay** someone who loans you money.

32. Interest paid to you by a bank or that you pay to a creditor, such as a credit card company, is calculate by **percentage**.

33. Because interest is based on percentage, the **bigger** the balance, the **more** money you’ll be charged.

34. The amount of money you put in the bank or the amount you borrow is called the **principle**.

35. **Interest period** is the time (monthly, yearly, etc.) that your money has to sit in the bank before you are paid the interest rate on your money.

36. **Simple Interest** is money paid to you or you pay based principle only.

37. **Compound Interest** is money paid to you or you pay based principle and any interest previously accumulated from other interest period.

**Calculate It Activity Page**-Computing Interest

**Brainpop Mortgages**

38. The average home costs well over **$100,000**.

39. A **mortgage** is a special type of loan used to purchase a home or property.

40. **Default** means to not pay back a loan.

41. **Collateral** is something put forward that can be taken if the loan is defaulted on.

42. With a mortgage the **actual home** is the collateral.

43. The **term** is the length of the time you’ll pay on a loan, usually **15** or **30** years for mortgages.

44. With a 30 year loan, you would end up making **360** monthly payments.

45. Paying for a percentage of the home up front is called a **down payment**.

46. The **principle** or amount borrowed is loan amount minus the down payment.

47. Banks make money from loans by charging **interest**.

48. **Equity** is the owned value (paid principle) that an owner is entitled to.

**Read FYI’s**

**Calculate It Activity Page**-Calculating Mortgages

**Brainpop Taxes**

49. What are taxes? Money collected by the **government** from **private citizens** to pay for public works and government expenses.

50. What are taxes used for? To fund **government programs and services**, such as police, fire fighters, military, etc.

51. Every **government employee** requires collected taxes to pay their salaries.

52. Taxes collected that are used for building interstate highways, national parks and monuments, and the military are **Federal Taxes**.

53. The **IRS** (**Internal Revenue Service**) is the agency used by the Federal Government to collect taxes and enforce penalties.

54. **State and local taxes** pay for local services such as hospitals, local streets, local police and firemen, etc.

55. **Sales tax** is a tax based on a percent for each dollar sent. In Florida the sales tax percentage is 6%.

56. **Income tax** is a **progressive tax** (a tax that **increases** based on the amount of money one **earns**) taken directly from money earned by individuals.

57. A **tax return** is a mandatory annual report that each individual and business must file with the IRS telling the amount of taxes they have paid and the amount of money they earned that year.