Economics Review 2

**Brainpop Budgets**

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

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

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

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

**Brainpop Budgets FYI**

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

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**

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

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 Credit Cards**

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.

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

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

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**.

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

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.

**Brainpop Interest**

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

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

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

**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.

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

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

**Brainpop Mortgages**

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

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

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

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

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

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

**Brainpop Taxes**

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

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

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

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

**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.

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.