

# Lesson 1

## LEARNING GOALS

**Strategy:** Set a purpose

**Reading:** Read an article

**Skill:** Identify the main idea and details

**Writing:** Write an action plan

**Life Skill:** Read a circle graph

## Before You Read

The article “What’s Eating Your Paycheck?” is about solving money problems. Before you begin the article, you should **set a purpose** for your reading. To set a purpose, consider what you would like to learn from the article. To do this, think about how you spend your money. Do you sometimes run out of money before you get paid again? On the lines below list two or three expenses you would like to reduce.

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## Preview the Reading

Before you read the article, preview it by reading the title and all the headings. Think about what the headings mean.

What happens to a house of cards?  
What is this section probably about?  
Think about the headings “I deserve it” and “Dollar Dribbling.”  
What do they suggest about spending habits?





### Use the Strategy

This article is about solving money problems. It offers tips for cutting back on spending. As you read the article, look for ways to reduce the expenses you listed in on page 14.

## What's Eating Your Paycheck?

*Rebecca E. Greer*

If your paycheck seems to be disappearing into thin air, you may be stuck in money traps. But don't despair; most people can get unstuck without hiding from creditors or filing for bankruptcy.

### Budget Blunders

The biggest one: no budget at all. As one reader put it, "We just put all the bills in a pile, then try to decide which to pay." As she and others have learned, however, the money usually runs out before the bills do. Or as another woman wrote: "There's too much month left at the end of the money."

The same problem plagues<sup>1</sup> many who do have a budget. In letter after letter we read, "It looks good on paper, but it never seems to work." Why not? Often because the budgets are unrealistic.

The solution: Make a detailed record of where all your money goes now; then study it carefully. Look for expenses that can be cut back so you'll have more money for savings, vacations, and other goals. And don't give up in the face of high "fixed" expenses. Many of these can be reduced too. In fact, it's often easier to save on essentials than on enjoyable extras.

If housing takes more than 25 percent of your income, for example, consider refinancing your mortgage at a lower rate, moving to a cheaper place, or renting out an extra room. If utility bills are high, get the whole family involved in a conservation plan.

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1. **plague:** to annoy, worry.

Some bills can be eliminated altogether. When one mother realized that cable TV was costing her \$500 a year, for example, she decided that network TV wasn't so bad. If you question every expense, you can find a few that can be reduced.

Think about how to use these ideas. Which idea seems easiest for you to do? Why?

### ◀ Check-in

## House of Cards

The costliest money trap is the credit-card bill that's never paid off. Creditors make this easy by setting minimum payments of as little as 2 percent of the total bill. But according to American Express, it will take more than 11 years (at 18.5 percent interest) to pay off a \$2,000 bill with minimum payments. But many people admitted paying the bare minimum each month. Some are doing it on as many as 10 or 12 different accounts.

Interest also inflates<sup>2</sup> the cost of everything you buy on credit. The TV set that seemed like a terrific bargain at \$300, for example, may cost \$500 by the time the bill is paid off. Credit cards tempt you to buy more, too. One supermarket cashier told us she can always spot customers who plan to pay with plastic. "They buy more costly items," she said, "and pay less attention to weekly specials."

The solution: You don't have to cancel all your credit cards. Just leave them at home except when you need one for an emergency or a special purchase. You may be amazed at how much less you'll buy when you have to fork over cash.

In the meantime, concentrate on paying down those bills. Take on a second job for a while. Hold a garage sale. Sell your outgrown clothing or other unused items through a consignment shop. Start a home business marketing your crafts.

If your debts are already too high to handle, seek free or low-cost help at the nearest Consumer Credit Counseling Service. Check your telephone directory or call 800-388-CCCS.

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2. **inflate**: to expand, increase.

Your purpose was to look for ways to solve money problems. Why do people spend less money when they leave their credit cards home?

## Convenience-store Capers

It's no accident that most gas stations have convenience stores attached. Few of us can fill up the tank without buying a few snacks, cigarettes, lottery tickets, soft drinks, chewing gum, or other items we can live without. In fact, an Iowa woman admitted spending \$50 a week at the convenience store. That adds up to \$2,600 per year.

The solution: Take only enough cash for gas. Or find a station that doesn't sell anything else.

## “I deserve it.”

That's what hard-working men and women say to justify their lavish vacations, big stereo systems, or regular restaurant meals. They do deserve such indulgences. However, they also deserve a home of their own, a secure retirement, and freedom from worrying about unpaid bills. No one should have to live with what a Texas mother described as “constant stress, tension, even fear about money.”

Sadly, the pleasure that comes from extravagances often disappears long before the bills do. The camcorder that one single mother bought for a special occasion, for example, is not much fun now. She's figured out that it will take her another three years to pay it off at \$30 a month. And the New Yorkers who splurged on an outdoor hot tub now admit that they rarely use it “because we can't afford to heat it in winter.”

The solution: Set priorities. Add up the annual cost of each item; then consider what else you could buy with the same money. That will help you decide which items are really worth it.

One Chicago woman, for example, discovered that daily lunches (averaging \$8 each) with co-workers were costing her \$2,000 a year. She decided to brown-bag it instead. “I now put twenty dollars a week into my vacation fund and another twenty into retirement savings,” she says. “Those mean more to me than lunch.”

## Dollar Dribbling

“It’s only two or three dollars,” we say as we put coins into a vending machine, pick up a lottery ticket, or put off returning those videotapes. But if you save \$3 a day instead of spending it frivolously, you’d have more than \$1,000 at the end of the year.

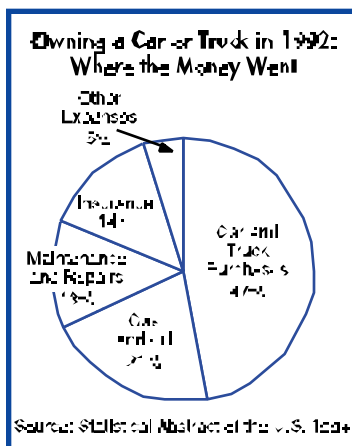
The solution: Keep track of every dime you spend on little things so you can see how quickly they add up. Stop the dollar drain by removing all extra cash from your wallet every day.

### Final Check-in

Which of the ideas in this article might help solve your money problems?  
Why?



## How Much Does a Car or Truck Cost?



The article you just read recommends that everyone have a budget. In order to make a budget, you need to know how much you spend. For example, there are a number of costs involved in owning a car or truck. Look at the circle graph at the left to see what those costs are. The whole circle stands for 100 percent of the costs of owning a car or truck. The sections of the circle show what percent go toward each type of expense. All the percents added up will total 100 percent.

Compare the sizes of the sections of the circle. Which section is the largest? That type of expense costs the most. What is the next most expensive item?

Purchasing the vehicle is the largest expense on the chart; gas and oil accounts for the next largest cost. If you own a car or truck, how does this information compare with your expenses? As you can see from the graph, the expense of owning a vehicle is complicated enough to require a budget all its own.

## After You Read

### A. Comprehension Check

Choose the best answer.

1. Even so-called “fixed” expenses can be
  - (1) eliminated
  - (2) increased
  - (3) ignored
  - (4) reduced
2. The author thinks everyone should
  - (1) stop using cable TV
  - (2) use a realistic budget
  - (3) call a credit counseling service
  - (4) shop at convenience stores
3. Why are credit cards expensive?
  - (1) Minimum payments are high.
  - (2) Purchases have higher price tags.
  - (3) You pay interest on your purchases.
  - (4) You buy less with a credit card.
4. This article is composed of a series of
  - (1) problems and solutions
  - (2) dates and other facts
  - (3) amusing stories about money
  - (4) events in time order
5. What percent of the total amount of money spent on cars in 1992 went toward insurance?
  - (1) 20%
  - (2) 12%
  - (3) 14%
  - (4) 44%

### B. Revisit the Reading Strategy

Can you use the ideas in this article to reduce the expenses you listed on page 14? How could you save on each expense?

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### C. Think Beyond the Reading

Think about these questions and discuss them with a partner. Answer the questions in writing if you wish.

- What must you do to stick to a budget? What skills and habits do you need?
- Which of your expenses are necessary? Of those expenses that are not necessary, which are the most important to you? How do you budget for entertainment or fun?

## Think About It: Identify the Main Idea and Details

When you read the article “What’s Eating Your Paycheck?” you may have asked, “What’s the point?” The “point” of a reading selection is the **main idea**—what the selection is about. Sometimes the author states the main idea of a selection in a topic sentence. It is often the first or second sentence of the selection. The main idea of this article appears in the second sentence: “. . . most people can get unstuck without hiding from creditors or filing for bankruptcy.”

The rest of the article discusses common problems and suggests solutions. Each paragraph has its own main idea, which relates to the main idea of the article. Most paragraphs contain a topic sentence that states the main idea of the paragraph. The rest of the paragraph contains **details**—facts, examples, or reasons that support or explain the main idea.

### A. Look at Identifying the Main Idea and Details

Look at the example from the article. Notice how the main idea of the paragraph is stated in the underlined topic sentence.

- ▶ In the meantime, concentrate on paying down those bills. Take on a second job for a while. Hold a garage sale. Sell your outgrown clothing or other unused items through a consignment shop. Start a home business marketing your crafts.

Now number the four details in the paragraph. Each detail is an example of how to earn extra money to pay your bills.


### B. Practice Read each paragraph and underline the topic sentence. Then answer the questions.

1. ▶ Some bills can be eliminated altogether. When one mother realized that cable TV was costing her \$500 a year, for example, she decided that network TV wasn’t so bad. If you question every expense, you can find a few that can be reduced.

State the main idea in your own words by finishing this sentence.


You can get rid of \_\_\_\_\_

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2.  Sadly, the pleasure that comes from extravagances often disappears long before the bills do. The camcorder that one single mother bought for a special occasion, for example, is not much fun now. She’s figured out that it will take her another three years to pay it off at \$30 a month. And the New Yorkers who splurged on an outdoor hot tub now admit that they rarely use it “because we can’t afford to heat it in winter.”

State the main idea in your own words by finishing this sentence.

The fun of buying expensive things \_\_\_\_\_  
\_\_\_\_\_

3.  The costliest money trap is the credit-card bill that’s never paid off. Creditors make this easy by setting minimum payments of as little as 2 percent of the total bill. But according to American Express, it will take more than 11 years (at 18.5 percent interest) to pay off a \$2,000 bill with minimum payments. But many readers admitted paying the bare minimum each month. Some are doing it on as many as 10 or 12 different accounts.

Write one detail from the paragraph that supports or explains the main idea.

\_\_\_\_\_



**Talk About It**

Summarize this article for a friend or family member. When you summarize, you give the most important information. First state the main idea of the article. Then use the headings in the article to identify the important details—the major problems and their solutions. Discuss other ideas for managing money.

## Write About It: Write an Action Plan

The article “What’s Eating Your Paycheck?” may have given you some ideas for saving money. Write about how you plan to spend less.

- A. Prewriting** Think of a way you can cut back on spending. Then write an action plan for doing it. For example, you may decide to spend less money on food. Brainstorm possible ways you can reduce food spending, listing every idea that comes to mind. Use your own ideas and ideas from the article. Here is an example:

Cut back spending by: <u>Spending less on food.</u>	
Action Plan	
• <u>Use coupons</u>	• <u>Make a budget</u>
• <u>Make homemade snacks</u>	• <u>Eat out less often</u>

Use the lines below to write your own action plan.

Cut back spending by: _____
Action Plan:
• _____
• _____
• _____

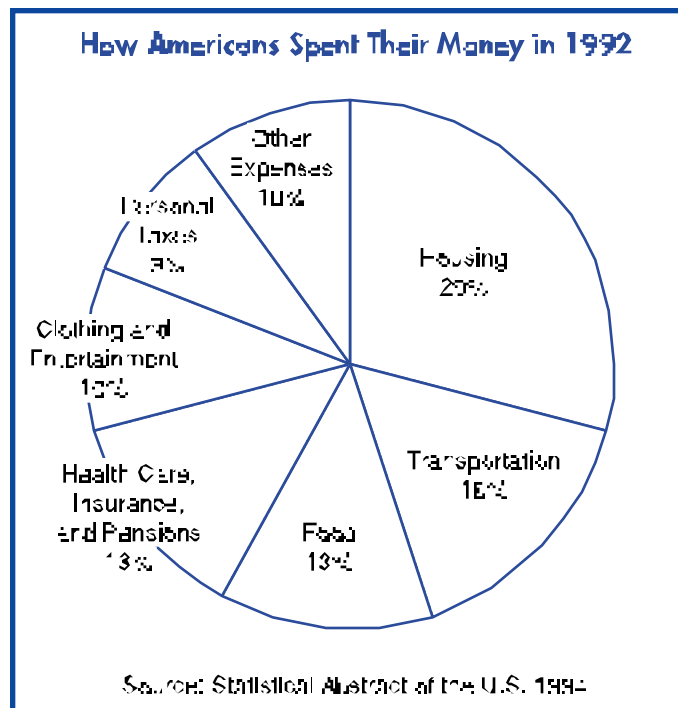
- B. Writing** Write a paragraph that explains your action plan.

- Write a topic sentence that states the goal of your action plan.  
For example: “To save money, I will spend less on food.”
- Then write details that include examples for saving money. Explain what you will do, when, and how.

► **Save your draft.** At the end of this unit, you will choose one of your drafts to work with further.

## Life Skill: A Closer Look at Reading a Circle Graph

In order to save money, you have to know how you are spending it. The circle graph below shows how most people in the U.S. spent their money in 1992. Circle graphs, also called pie charts, show numbers or amounts as parts of a whole. The circle stands for all, or 100 percent, of something. The parts are shown as percents of the whole circle. The percent of a section determines its size.



To understand this graph, first read the title. Then see how the sections of the circle compare to each other. The largest “slice” is labeled “housing.” Reading the percentages confirms that housing is the biggest expense.

What percent of spending was for food? \_\_\_\_\_

You are correct if you said that 13 percent was spent on food.

**Practice** Read the graph and answer these questions.

1. What percent of spending was for transportation? \_\_\_\_\_

2. What percent was for clothes and entertainment? \_\_\_\_\_

3. Add together spending for housing, transportation, and food.

What percent was for these three basic expenses? \_\_\_\_\_