Module 3: Financial Literacy and Economic Survival

Lesson Plans

Lesson 1: Understanding Taxes

This lesson provides an overview of **how federal and state taxes work**, focusing on **tax brackets, deductions, and common pitfalls** that taxpayers should be aware of. Understanding taxation helps individuals manage their finances and make informed decisions about their income and expenses.

Key Learning Objectives:

1. Explain **how federal and state taxes function** and where tax revenue goes.
2. Understand **tax brackets, deductions, and how they impact taxable income**.
3. Identify **common tax mistakes** and how to avoid them.

Lesson Plan: Understanding Taxes

Section 1: How Federal and State Taxes Work

- **What Are Taxes?**
    - Required payments to **government agencies** to fund public services.
    - Collected at **federal, state, and local levels**.
- **How Federal Taxes Work**
    - The **IRS (Internal Revenue Service)** collects federal income tax.
    - Funds **national defense, social programs (Medicare, Social Security), and infrastructure**.
    - Taxed based on **progressive brackets** (higher income = higher percentage taxed).
- **How State Taxes Work**
    - **Varies by state**: Some states (e.g., Texas, Florida) **have no income tax**.
    - State tax revenue funds **education, healthcare, and transportation**.
- **Other Types of Taxes**
    - **Payroll Taxes** – Fund Social Security and Medicare.
    - **Sales Taxes** – Applied to goods/services at checkout.
    - **Property Taxes** – Charged on real estate to fund local services.

Section 2: Tax Brackets, Deductions, and Common Pitfalls

- **Understanding Tax Brackets**
  - U.S. federal income tax is **progressive** (higher earners pay a higher rate).
  - **Example tax brackets (2024 estimates)**:
    - **10%** – Income up to $11,000
    - **12%** – Income $11,001 - $44,725
    - **22%** – Income $44,726 - $95,375
    - **24% and higher** for higher income levels.
- **Tax Deductions & Credits**
  - **Deductions** reduce **taxable income** (e.g., student loan interest, mortgage interest).
  - **Credits** reduce the **tax owed** dollar-for-dollar (e.g., Child Tax Credit, Earned Income Tax Credit).
- **Common Tax Mistakes to Avoid**
  - **Filing Late** – Leads to penalties and interest.
  - **Claiming Incorrect Deductions** – Can result in audits.
  - **Not Reporting Side Income** – Gig economy and freelance work must be reported.
  - **Ignoring Tax-Advantaged Accounts** – Missing out on **401(k) and IRA benefits**.

Video Script: Lesson 1 – Understanding Taxes

[Opening Scene: Host standing in front of a tax office]

HOST:
*"Taxes—everyone pays them, but do you know **how they actually work**? Today, we'll break down **how federal and state taxes function, tax brackets, deductions, and the most common tax mistakes to avoid**."*

[Cut to animated text: "How Taxes Work"]
*"First, let's talk about **why we pay taxes**. Taxes fund **public schools, roads, emergency services, and government programs**. Without them, essential services wouldn't exist."*

[Scene: Pie chart showing government spending (defense, education, social programs)]
*"Your federal taxes fund **Medicare, Social Security, national defense, and infrastructure**. State taxes, on the other hand, pay for **education, healthcare, and local projects**."*

[Cut to animated text: “Tax Brackets and Deductions”]
*"Ever wonder why some people pay more in taxes than others? The U.S. tax system is **progressive**, meaning higher earnings are taxed at **higher percentages**."*

[Scene: Breakdown of tax brackets appearing on screen]
*"For example, if you earn **$50,000**, part of your income is taxed at **10%**, another part at **12%**, and the rest at **22%**."*

[Cut to animated text: “Tax Deductions and Credits”]
*"Want to lower your tax bill? **Deductions** reduce taxable income, while **credits** lower the amount you owe. For instance, if you’re a student, you might qualify for the **Student Loan Interest Deduction**."*

[Scene: Example of someone reducing their taxable income using deductions]
*"Common tax deductions include **mortgage interest, medical expenses, and retirement contributions**."*

[Cut to animated text: “Common Tax Pitfalls”]
*"Now let’s talk about tax mistakes that can cost you money. **Filing late** leads to penalties, and **not reporting all income** can result in an audit."*

[Scene: Person scrambling to file taxes at the last minute]
*"Gig workers and freelancers often forget to report income from **side jobs or online sales**. The IRS tracks this—so it’s better to report it!"*

[Cut to Host]
"Understanding taxes helps you make smarter financial decisions. What tax deductions have you used before? Share in the comments below."

[End Scene: Call to Action]

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Lesson 2: Credit and Debt Management

This lesson explores **credit scores, their impact on financial life, and the risks of predatory lending and debt traps**. It equips learners with **strategies for managing debt responsibly** and avoiding financial pitfalls.

Key Learning Objectives:

1. Understand **how credit scores work** and their impact on financial opportunities.
2. Identify **predatory lending practices** and how to avoid debt traps.
3. Learn **smart debt management strategies** to maintain financial health.

Lesson Plan: Credit and Debt Management

Section 1: How Credit Scores Impact Your Financial Life

- **What is a Credit Score?**
  - A three-digit number (300-850) that reflects **creditworthiness**.
  - Used by **lenders, landlords, and even employers**.
- **How Credit Scores Are Calculated**
  - **Payment History (35%)** – Timely payments boost scores.
  - **Credit Utilization (30%)** – Using too much available credit lowers scores.
  - **Credit History Length (15%)** – Longer credit history is better.
  - **New Credit Inquiries (10%)** – Applying for too much credit at once can hurt scores.
  - **Credit Mix (10%)** – A mix of loans and credit cards improves scores.
- **Why Credit Scores Matter**
  - **Better Loan Offers** – Higher scores mean **lower interest rates**.
  - **Renting a Home** – Many landlords check credit reports.
  - **Job Opportunities** – Some employers check credit for financial responsibility.
- **How to Improve Your Credit Score**
  - Pay bills **on time**.
  - Keep credit utilization **below 30%**.
  - Avoid opening **too many new accounts at once**.
  - Regularly **check credit reports** for errors.

Section 2: Avoiding Predatory Lending and Debt Traps

- **What is Predatory Lending?**
  - Unfair lending practices with **high fees, hidden costs, and high-interest rates**.
  - Targets **low-income borrowers, students, and financially vulnerable people**.
- **Common Predatory Loans**
  - **Payday Loans** – Short-term loans with **extremely high interest rates (300%+ APR)**.
  - **Auto Title Loans** – Use a car as collateral, risking repossession.
  - **High-Interest Credit Cards** – Targeting people with low credit scores.
- **Debt Traps and How to Avoid Them**

    - **Minimum Payments Trap** – Paying only the minimum keeps debt **growing due to interest**.
    - **Balance Transfers with Hidden Fees** – 0% APR offers **may include high transfer fees**.
    - **Cosigning Loans Without Understanding the Risks** – If the borrower defaults, **you're responsible**.
- **Smart Debt Management Strategies**
    - **Create a budget** to track expenses and income.
    - **Pay more than the minimum** on credit cards.
    - **Avoid borrowing from predatory lenders**—seek alternatives like **credit unions or personal loans**.
    - **Use debt consolidation** to combine debts at a lower interest rate.

Video Script: Lesson 2 – Credit and Debt Management

[Opening Scene: Host standing in front of a bank]

HOST:
*"Your credit score affects everything—from buying a house to getting a job. But how does it work? And how can you avoid debt traps? Today, we'll explore **credit scores, predatory lending, and smart debt management strategies**."*

[Cut to animated text: "How Credit Scores Impact Your Financial Life"]
*"Your **credit score** is a number between **300 and 850** that tells lenders how **trustworthy** you are with money."*

[Scene: Breakdown of credit score components]

- **Payment History (35%)** – Pay on time, every time.
- **Credit Utilization (30%)** – Keep your credit usage **below 30%**.
- **Credit History (15%)** – The longer you've had credit, the better.
- **New Credit (10%)** – Too many credit applications **hurt your score**.
- **Credit Mix (10%)** – A variety of accounts **boosts your rating**.

[Scene: Example of how credit scores affect loan interest rates]
*"A person with a **750 credit score** might get a mortgage at **3% interest**, while someone with a **580 score** could pay **8% or more**!"*

[Cut to animated text: "Avoiding Predatory Lending"]
*"Now, let's talk about **predatory lending**—loans designed to **trap you in endless debt**."*

[Scene: Visual of payday loans, auto title loans, and high-interest credit cards]
*"Beware of **payday loans**, which charge **300%+ interest rates**—turning a **$500 loan into thousands of dollars in debt**."*

[Cut to animated text: "How Debt Traps Work"]
"Some common debt traps include:"

- **Paying only the minimum balance** – Interest **keeps growing**.
- **Balance transfers with hidden fees** – 0% APR offers **aren't always free**.
- **Cosigning loans** – If they don't pay, **you're responsible**.

[Scene: Person creating a budget and tracking expenses]
*"So, how can you **manage debt wisely**?"*

[Cut to animated text: "Smart Debt Management Strategies"]

1. **Pay more than the minimum** on credit cards.
2. **Create a budget** to avoid overspending.
3. **Seek lower-interest loan alternatives** (like credit unions).
4. **Use debt consolidation** if necessary.

[Cut to Host]
*"Credit can be a powerful tool—or a dangerous trap. **Are you using it wisely?** Let's talk about it in the comments."*

[End Scene: Call to Action]

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Lesson 3: Saving and Investing for the Future

This lesson provides an introduction to **stocks, bonds, and index funds** while also covering **retirement planning options** like **401(k)s, IRAs, and pensions**. Understanding these financial tools helps individuals build wealth and secure their financial future.

Key Learning Objectives:

1. Understand **stocks, bonds, and index funds** and how they contribute to investment growth.
2. Learn the basics of **retirement planning**, including 401(k)s, IRAs, and pensions.
3. Identify **smart investment strategies** for long-term financial success.

Lesson Plan: Saving and Investing for the Future

Section 1: Introduction to Stocks, Bonds, and Index Funds

- **What Are Investments?**
  - Investments grow money over time through **compound interest and market performance**.
  - The stock market is a common tool for **building long-term wealth**.
- **Stocks**
  - Represent **ownership in a company**.
  - Prices fluctuate based on **company performance and market trends**.
  - Can offer **dividends (profit-sharing payments)** to investors.
- **Bonds**
  - A **loan to a company or government** that earns interest over time.
  - Generally **safer than stocks** but with lower returns.
- **Index Funds & ETFs (Exchange-Traded Funds)**
  - A **collection of stocks or bonds** bundled together.
  - Offer **diversification**, lowering investment risk.
  - Track **market performance** rather than individual companies.
- **Investment Risk & Returns**
  - **Higher risk** investments (stocks) offer **potential for higher returns**.
  - **Lower risk** investments (bonds, savings accounts) provide **steady, smaller gains**.
  - **Balanced portfolios** help investors **manage risk while growing wealth**.

Section 2: Retirement Planning – 401(k), IRAs, and Pensions

- **Why Start Saving for Retirement Early?**
  - **Compound interest** helps money grow exponentially over time.
  - Delaying savings means **missing out on long-term growth**.
- **401(k) Plans**
  - Employer-sponsored retirement savings accounts.
  - Contributions are **pre-tax**, reducing taxable income.
  - Many employers **match contributions**, offering “free money” for retirement.
- **Traditional vs. Roth IRAs**
  - **Traditional IRA:** Contributions are tax-deductible, but withdrawals are taxed.
  - **Roth IRA:** Contributions are **taxed upfront**, but withdrawals are **tax-free in retirement**.
- **Pensions**
  - Employer-provided retirement payments based on **years of service**.

    - Less common today, but still offered in **government jobs and some private sectors**.
- **Retirement Planning Tips**
    - Start early—**even small contributions grow over time**.
    - Take advantage of **employer 401(k) matching**.
    - Diversify investments across **stocks, bonds, and index funds**.
    - Avoid withdrawing early—penalties reduce long-term growth.

Video Script: Lesson 3 – Saving and Investing for the Future

[Opening Scene: Host standing in front of a financial district skyline]

HOST:
*"What if your money could work for you, even while you sleep? Investing and saving for retirement can build long-term wealth—but only if you start early. Today, we'll explore **stocks, bonds, and retirement planning tools like 401(k)s and IRAs."***

[Cut to animated text: "Stocks, Bonds, and Index Funds"]
*"Let's start with investments. Stocks, bonds, and index funds **help your money grow** over time."*

[Scene: Visual breakdown of stocks]
*"Buying **stocks** means owning a small piece of a company. If the company grows, so does your investment. Some companies even pay **dividends**—extra income for shareholders."*

[Scene: Animation of bonds generating steady returns]
*"Bonds, on the other hand, are like **loans** to the government or businesses. They're safer than stocks but offer smaller returns."*

[Cut to animated text: "Why Index Funds Are a Smart Choice"]
*"For beginners, **index funds and ETFs** are a great way to invest. They **spread out risk** by holding shares in **hundreds of companies** instead of just one."*

[Scene: Side-by-side comparison of different investment risks]

- **High risk, high reward:** Stocks.
- **Low risk, steady returns:** Bonds.
- **Balanced:** Index funds & ETFs.

[Cut to animated text: “Retirement Planning: Start Now!”]
*"Now, let’s talk about **saving for retirement**. The sooner you start, the more money you’ll have—thanks to **compound interest**."*

[Scene: Chart showing how compound interest grows over time]
*"Investing just **$100 per month in your 20s** can turn into **hundreds of thousands of dollars** by retirement!"*

[Cut to animated text: “Understanding 401(k)s and IRAs”]
*"A **401(k)** is a retirement plan offered by employers. It’s a powerful tool, especially if your company **matches your contributions**—that’s **free money**!"*

[Scene: Breakdown of Traditional vs. Roth IRA]

- **Traditional IRA:** Pay taxes later when you withdraw.
- **Roth IRA:** Pay taxes now, but withdraw tax-free in retirement.

[Scene: Warning about withdrawing early]
*"Be careful—**withdrawing early** from retirement accounts leads to **penalties and lost growth**. The key is **long-term investing**."*

[Cut to Host]
*"Whether you invest in **stocks, bonds, or retirement accounts**, the most important thing is to **start early**. What are your financial goals? Let’s discuss in the comments."*

[End Scene: Call to Action]

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Lesson 4: Government Benefits and Social Security

This lesson explores **Social Security, Medicare, and Medicaid**, debunking myths about these programs and explaining their financial impact. It also examines debates on whether **Social Security contributes to the national debt** and why some advocate for its reduction or elimination.

Key Learning Objectives:

1. Understand **how Social Security, Medicare, and Medicaid work** and who they benefit.
2. Debunk **common myths** about Social Security.
3. Analyze the **financial impact of Social Security** on national debt and political debates.

Lesson Plan: Government Benefits and Social Security

Section 1: Common Myths About Social Security

- **Myth 1: Social Security is Running Out of Money**
    - **Reality:** Social Security is funded by **payroll taxes (FICA)**.
    - The program has **a trust fund** that ensures payments, though adjustments may be needed in the future.
- **Myth 2: Younger Generations Won't Receive Benefits**
    - **Reality:** As long as workers pay into Social Security, the system continues.
    - However, adjustments (like raising payroll taxes or retirement age) may be required.
- **Myth 3: Social Security is a Handout**
    - **Reality:** Workers **pay into Social Security their entire careers**. It's **earned benefits**, not welfare.

Section 2: Understanding Medicare and Medicaid

- **Medicare** (for seniors 65+ and some disabled individuals)
    - **Part A:** Hospital insurance (free for most).
    - **Part B:** Medical insurance (requires premiums).
    - **Part C (Medicare Advantage):** Private insurance alternative.
    - **Part D:** Prescription drug coverage.
- **Medicaid** (for low-income individuals and families)
    - Funded by **federal and state governments**.
    - Covers **doctor visits, hospital stays, and some long-term care**.
    - Eligibility varies by **state income limits**.

Section 3: Does Social Security Add to the Debt?

- **No, Social Security is Self-Funded**
    - Funded by **payroll taxes (FICA: 6.2% from workers, 6.2% from employers)**.
    - Social Security has **its own trust fund** separate from the federal budget.
- **How the Debt Debate Happens**
    - Some claim **paying benefits will outpace payroll tax revenue**.
    - Congress occasionally **borrows from the trust fund** but is required to pay it back.

Section 4: Why Do Some Want to Cut Social Security?

- **Economic & Political Arguments**
  - **Some wealthy individuals and policymakers** argue that:
    - Social Security is **too expensive** and needs reform.
    - Private retirement investments should replace it.
    - The government should **cut spending** to reduce national debt.
- **Who Benefits from Social Security Cuts?**
  - Private financial firms **profit if retirees invest privately instead of relying on Social Security**.
  - Reducing benefits **lowers taxes on businesses and high-income earners**.
- **What Are the Alternatives?**
  - **Raising the payroll tax cap** (currently taxed only on income up to ~$160,200 in 2024).
  - **Adjusting benefits for wealthier retirees** while protecting low-income seniors.
  - **Expanding investment in the Social Security Trust Fund**.

Video Script: Lesson 4 – Government Benefits and Social Security

[Opening Scene: Host standing in front of a Social Security office]

HOST:
"Social Security: a lifeline for millions, yet constantly under debate. Will it run out? Does it add to the debt? And why do some want to get rid of it? Today, we'll answer those questions."

[Cut to animated text: "Common Myths About Social Security"]
*"First, let's bust some myths. Many people think **Social Security is running out of money**, but in reality, it's **funded by payroll taxes and has a trust fund**."*

[Scene: Visual of paycheck with "FICA Tax" deduction]
*"Every paycheck, workers pay into Social Security—**it's not a government giveaway, it's earned benefits**."*

[Scene: News headline "Younger generations won't receive benefits" with an 'X' over it]
*"Another myth: **Younger workers won't get Social Security**. The truth? **As long as people work and pay taxes, the system continues**. But Congress may need to adjust how it's funded."*

[Cut to animated text: “Understanding Medicare and Medicaid”]
*"Social Security isn’t the only important program—Medicare and Medicaid provide **critical healthcare for seniors and low-income Americans**."*

[Scene: Breakdown of Medicare Parts A, B, C, and D]

- **Medicare A:** Covers hospital stays.
- **Medicare B:** Covers doctor visits.
- **Medicare C (Advantage):** Private plans.
- **Medicare D:** Prescription drugs.

[Scene: Medicaid funding breakdown]
*"Medicaid helps **low-income families and individuals** with healthcare, but each **state sets its own rules** for eligibility."*

[Cut to animated text: “Does Social Security Add to the Debt?”]
*"A common question: **Does Social Security contribute to the national debt?** The answer: **No. It’s self-funded through payroll taxes**."*

[Scene: Government spending pie chart]
*"Unlike other federal programs, Social Security has **its own trust fund**, separate from the general budget."*

[Cut to animated text: “Why Do Some Want to Cut Social Security?”]
*"So why do some politicians and wealthy individuals **want to reduce or privatize Social Security**?"*

[Scene: List of reasons]

- **Lower taxes on businesses and the wealthy**.
- **Encourage private retirement investments** (which benefit financial firms).
- **Reduce government spending**.

[Scene: Alternative solutions]
*"But there are ways to **strengthen Social Security** without cutting benefits."*

[Scene: Chart showing potential reforms]

- **Raising the payroll tax cap** so high earners contribute more.
- **Adjusting benefits for wealthier retirees**.
- **Expanding investment in the Social Security Trust Fund**.

[Cut to Host]
*"Social Security is **one of the most successful programs in U.S. history**, keeping millions of seniors and disabled individuals out of poverty. Do you think it should be changed? Let’s discuss in the comments."*

[End Scene: Call to Action]

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