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- **Law of diminishing marginal utility** - As each additional quantity of a good or service is consumed, the relative satisfaction obtained decreases. Remember that more isn't always better. The Law of Diminishing Marginal Utility shows us that there is a point where our satisfaction begins to decrease!

- The more services a government provides, the more money it needs to collect through taxes to pay for those services. The government needs tax money to pay government officials, build structures and roads, buy equipment, and fund programs that provide services like food stamps, the military, police, courts, fire protection, and education.

- **Indirect taxes**, like sales taxes, are collected when a person pays for a good or service. The seller must submit these taxes to the government. **Direct taxes**, like federal income taxes, are paid straight to the government.

Tax	Category
Sales tax	indirect
Income tax	direct
Corporate income tax	direct
Gasoline tax	indirect
9-1-1 Service Fee (on cell phone bill)	indirect
“Death” tax (estate tax)	direct
Taxes on sale of property	indirect
Annual property tax	direct

- **Progressivity**—does the tax rate rise, lower, or stay the same as your income rises ?

  a) **Proportional** – No matter what happens to your income, the tax rate always stays the same (flat tax)

  b) **Regressive** – As income increases, the tax rate decreases

  c) **Progressive** – As income increases, the tax rate increase

- The FDIC (Federal Deposit Insurance Corporation) insures bank deposits in the United States up to $100,000 for **each** deposit.

- To earn money the rate of return must be higher than the rate of inflation.

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Investment Options	
Conservative – Low Risk Moderate Risk Aggressive- High Risk	
Option	**Description**
Traditional Savings or Checking Account	• These accounts will not make much money. • Bank may charge a fee for these accounts. • Money can be taken out in cash easily. • Checking account is easy to use with debit cards and checks. • These accounts have the potential for identity theft! • The best savings accounts offer compound interest.
Individual Retirement Account (IRA)	• IRAs have a limit to how much money can be deposited. • Bank will charge a fee if money is taken out early. • IRAs save money on taxes.
Certificate of Deposit (CD)	• CDs make better money than traditional savings. • Bank will charge a fee if money is taken out early. • CDs require a minimum amount of money to invest. • CDs are safe ways to save money but it is hard to get the money out.
Money Market Account	• This account will not make much money, but more than traditional savings. • Bank will charge a fee if money is taken out early. • Bank may require a minimum amount of money in the account.
Bonds	• Purchasing a bond means giving a loan to a company. • Bonds require a minimum amount of money to purchase and a minimum length of time to hold on to the bond. • "T-Bonds" are bonds issued by the U.S. Treasury and are safer than corporate bonds. (Loaning money to the government is safer than loaning money to a private business.)
Mutual Fund	• Mutual Funds are shares of ownership in a group of companies. • Mutual Funds require a minimum amount of money to invest. • Mutual Funds can earn significantly more money but can also potentially lose more.
Stocks	• Stocks are shares of ownership in a single company. • Stocks make the most money over a long period of time. • If the stock company fails, all money invested is lost.
Futures	• Futures involve betting on the future price of a common product, like wheat. • With Futures a legal commitment is made to buy a certain amount on a certain date for a particular price. • Futures are the riskiest of the investments, because large amounts of money can be earned or lost.

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- The Stock Exchange is a giant marketplace where traders buy and sell stocks; the world's largest Stock Exchange is the New York Stock Exchange. More than 206,000 companies are currently trading stocks there. Here's how it works: an **investor** purchases stocks from a broker; a broker acts as a mediator between the buyer and the seller; the **broker** receives an order from an investor and relays it to a **specialist** on the floor of the Exchange who completes the transaction. All of this can occur in less than a minute. The Stock Exchange symbolizes commerce and allows people all over the world to invest in businesses: it's where money meets ideas. Investments in companies drive the research and development of new products and new technologies that can change the world.

- **Common stock** allows investors to vote on various company issues such as its leaders and often offers dividends payout to stockholders of a portion of company profits, based on number of shares owned which can rise and fall with company profits.

- **Preferred stock** does not usually come with voting rights, but does offer fixed dividends, meaning the dividend payout will not change with the company's increased or decreased profits.

- **Credit** is a borrowing service that allows you to obtain goods and services now but pay for them later. The business offering the credit charges you **interest** on the money borrowed.

- **There are four main types of credit**:

    1. **Service Credit**: A deposit is paid to receive a service such as utilities. You pay a fee each month based on your consumption, such as a water or power bill.

    2. **Loans**: This is a way to borrow cash, usually through a bank or credit union.

    3. **Installment Credit**: This type of credit is usually for expensive items. It allows you to purchase a good or service and pay it back in fixed monthly payments. People will get this type of credit to purchase cars, appliances, mortgages (loan for home purchase), and student loans.

    4. **Credit Cards**: These are plastic cards with a magnetic strip issued by stores, banks, and businesses used to purchase goods and services. Depending on the type of deposit requirements, cards are secured or unsecured.

- A **budget** is a plan of income and expenses. It shows how much money is coming in and how much is going out during a set time frame. Individuals, households, businesses, and even whole nations create budgets. The purpose of budgeting is to plan spending so that you "live within your means." A budget gives you a framework for what you can afford and what you cannot. Living beyond one's means, or going into debt, is costly in terms of interest payments, stress, reduced credit-worthiness (how risky it may seem for creditors to lend you money), and reduced money for savings and wants.

- **Gross Income** – income **BEFORE** taxes and fees

- **Net Income** – Income **AFTER** taxes and fees

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- Economists recommend the following budgetary allowances:
  - **Gifts: 9%**
  - **Savings: 9%**
  - **Housing: 25%**
  - **Utilities: 5%**
  - **Food: 10%**
  - **Transport: 11%**
  - **Medical/Health: 11%**
  - **Personal: 8%**
  - **Recreation: 6%**
  - **Debts: 6%**