



Chapter 1-Section 2-
The Economy and Your
Education

Economy

- o All activities related to making and distributing goods and services in a geographic area or country
 - o Economist-a person who studies the economy
 - o Economics-a study of how choices are made by individuals and societies

U.S. Economy

- o Market Economy- based on the laws of supply and demand
- o Prices are set at a point that consumers are willing to pay and sellers are will to accept
- o Demand-the willingness and ability of consumers to buy goods and services
 - o Supply-the quantity of goods and services that producers are willing and able to provide
- o When demand exceeds supply, businesses can charge higher prices for the products

Economy's impact on income

- o A growing economy means that businesses are hiring and there is high demand for goods and services
 - o Pay raises and bonuses for employees
- o A slowing economy means that demand for goods and services has declined, often meaning that business are not hiring and growing.
 - o Workers may be laid off

Economy Cycle

- o Business Cycle-the alternating periods of growth and decline in the economy
 - o Recovery-the economy is growing
 - o People spend money because they are optimistic and times are good. Businesses are hiring. (Good time to save money)
 - o Peak-the point at which the economy is as robust as it can get
 - o Prices are high because demand is high

Economy Cycle (continued)

- o Recession-economy slips into an economic decline
 - o Jobs are being lost
 - o Production is slowing
 - o People are pessimistic and spending less money
 - o Employee raises are suspended
- o Trough-the economy is at a standstill
 - o Remains until people start spending again and businesses start hiring

Education Costs

- o Tuition-the expense paid by students for the instruction received at school
- o Fees-charged to cover special expenses of education programs, such as technology, specialized equipment or supplies (in addition to tuition)
- o Food-if on campus typically part of the fees, otherwise it is a separate expense
- o Clothing-expense separate of tuition/fees
- o Shelter-if on campus, typically part of fees/tuition, otherwise a separate expense
- o Transportation-if on campus, typically little transportation if needed, but if off-campus this is an expense

Types of Degrees

- o Bachelor's degree-a four-year degree earned at a college or university
 - o Costs between \$25,000 to \$100,000
- o Associates degree-a two year degree earned at community colleges or vocational schools
 - o Costs half of the price of a bachelor's degree
- o Master's degree-a graduate degree earned after a bachelor's degree-takes 1 to 3 years
 - o Can cost between \$25,000 (public) to \$60,000 (private)
- o Doctorate degree-earned after a master's degree takes 3 to 7 years

Financial Aid

- o Financial aid-money you receive from an outside source to help pay for education
 - o Receive from banks, federal government other lenders

FAFSA Form

- o FAFSA (Free Application for Federal Student Aid)- form used to apply for financial aid for college/tech schools
 - o Students under age 23 must have parent income information
 - o Assets-money or things of value that are owned
 - o Examples: savings account, investments, checking accounts, mutual funds, Certificate of Deposits
 - o Assets that are not counted on the FAFSA
 - o House-primary residence
 - o Vehicles
 - o Retirement accounts

Types of Financial Aid

- o Grant-money given to pay for educational expenses—does not have to be repaid
 - o Pell Grant-most common
- o Loans-money borrowed to pay for expenses, must be repaid with interest
 - o Subsidized loan-interest isn't charged until after you graduate (backed by federal government)
 - o Unsubsidized loan-interest is charged from the time the loan is made
 - o Interest-money paid to the lender for using their money

Types of Financial Aid (continued)

- o Private student loans-loans through a private lender, unsubsidized and typically have a higher interest rates
- o Scholarships-a gift of money or other aid (free tuition or books)
 - o Partial-pays some educational costs
 - o Full-covers the entire tuition for a degree
- o Work Study-job on campus for students-paid at a contracted rate

Work and Save

- o Students take time out from their education to work and save money to attend college
- o Others work part-time and attend college

Ethics and Applications

- o Ethics-a set of moral values that people consider acceptable
 - o Always be truthful when completing forms
 - o Print data clearly
 - o Use N/A (not applicable or available) for items that do not apply to you