

SSEPF3: Spending and Saving Choices

SSEPF2: The student will explain how changes in monetary and fiscal policy can have an impact on an individual's spending and savings choices.

A. Give examples of who benefits and who loses from inflation. (Put an X in column 2 or 3 then explain.)

	Hurt by inflation	Gains from inflation	Explain why.
A farmer buys equipment with a fixed rate to be repaid over 10 years.			
Banks extend many fixed rate loans.			
A family buys a new home with a 5-year adjustable rate mortgage.			
Your savings are in a savings account paying with a fixed rate of interest.			
A retired man lives entirely on Social Security income.			
Retired bank official lives entirely on income from stocks.			
A firm signs a contract to provide maintenance at a fixed rate for 5 years.			
Your friend rents an apartment with a 3-year lease.			
A bank loaned millions of dollars for home mortgages at a 30-year fixed rate.			
Parents are putting savings for their children's college in a fixed bank savings account.			

B. Define progressive, regressive, and proportional taxes.

1. Progressive tax:

2. Regressive tax:

3. Proportional tax:

C. Explain how an increase in sales tax affects different income groups.

	Type of tax	% of income; amount of tax paid	Type of tax	% of income; amount of tax paid	Type of tax	% of income; amount of tax paid
\$25,000		25%		25%		15%
\$50,000		25%		20%		25%
\$100,000		25%		15%		25%

1. Who is affected most by a regressive tax?

2. Who is most affected by a sales tax?