

Raising Money Smart Kids

PENNSSTATE



Erie The Behrend
College



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Money Talk 101

- You can make a difference – less than 40% of parents talk to their kids about money, and most kids aren't learning financial skills in school either. Like any subject, children need guidance on how to; spend, save and invest money.
- The ultimate goal in teaching kids about money is to help them become knowledgeable and independent adults who can wisely manage their finances with a healthy attitude.

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Troublesome Consumer Trends

- Almost half of Americans reported having trouble keeping up with monthly expenses.
- 49 percent of respondents said they had set aside sufficient funds for three months in case of sickness, job loss or economic downturn.
- 42 percent have tried to figure out how much they need to save for retirement.
- 41 percent have saved for their children's education, with one-third of those using tax-advantaged savings accounts.
- 15 percent of Americans are “unbanked,” which means they lack a checking account. This includes roughly 30 percent of African-Americans and Hispanics.

Source: “Financial Capability in the United States,” *Financial Industry Regulatory Authority/U.S. Department of Treasury, 2009.*

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Ages 3-5

KEY Concepts to Teach!

- What money is
- Money is traded for things we need and want
- Money responsibility

Ages 3-5

MONEY- \$MART ACTIVITIES

- Give your child a handful of pennies so they can “buy” animal crackers from you for 1 cent. Show them how five crackers can be purchased for five pennies or for a nickel.
- Turn shopping trips into lessons on making choices about value and quality. As you shop, have your child look for items you have decided to purchase at the store. Have them practice coin identification by providing them coins to make a small purchase with the cashier.
- Read *The “Berenstain Bears’ Trouble with Money”* to or with your child. Discuss why it is important to budget money and have your child identify needs vs. wants. As a bonus, you can have your child develop a collage from magazines representing needs vs. wants.

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Ages 6-10

KEY Concepts to Teach!

- Planning the use of money
- Smart Shopping
- Needs vs. Wants
- The importance of saving
- The importance of charitable giving

Income

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Where can your child get money from?



Parents



Gifts



Allowance

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What Now?

Once you have money, what can you do with it?

Spend

Save

Share

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Spending

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Spending Tips



1. Recognize Needs vs. Wants
2. Investigate before you buy
3. Ask Around for deals
4. Shop Around for the best price
5. Use Coupons to reduce costs

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Saving

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Reasons to Save:



1.) In case something new comes along that you really like or need.

2.) In case something that you want suddenly goes on sale.

3.) In case something is lost, stolen or needs to be replaced.



How to Save

1. Pay Yourself First

2. Carry only a small amount of cash

3. Try to reduce unplanned spending

4. Ask your parents to match your savings

5. Set a goals and make a plan

6. Open a savings account



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Savings Accounts

Passbook or Statement Account

- Simple accounting
- Most common form of savings account for young people.
- Put money in and the bank pays you interest your money.

Money Market & CD Accounts

- **Money market** accounts pay higher interest and requires a minimum amount.
- **Certificates of Deposit (CDs)** may pay even higher interest rates and requires you to keep money in the bank for a set period of time.

Why Savings Accounts?

Safety

- Safer than you keeping it in case of theft or accidents that could make you lose your money forever.
- Money in a bank is insured up to \$250,000.00 - effective in November 2008 (used to be \$100,000).

Interest

- The bank will pay you a percentage of the money in your account for allowing them to hold your money.
- The more money, the more interest.

Make Your Savings Grow



- Put as much money in your bank account or investment as you can
- Add money to your account regularly
- Don't take money out of your account
- Choose an account with a high interest rate

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A Little Can Add Up

Save this each week ... at 2% interest ... in 5 years you'll have:

*	\$2.50	2%	\$636.97
*	\$5.00	2%	\$1,273.95
*	\$10.00	2%	\$2,547.90

- * If your child spends 50 cents every day on soda or other snacks at school, they'll spend \$2.50 a week. In a month, that's \$10 on snacks. Your child may decide they want that \$10 for something else more lasting like their favorite movie or DVD. If they saved that same \$10 at 2% interest, at the end of 5 years, that could have earned almost \$640.

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The Power of Compound Interest

- When you put money in a bank account, it earns interest. If you leave the interest you earn in the account, then that will earn interest too. This is called compounding. Compound interest makes your money grow a lot faster.
- Example: \$500 deposit is made into an account that pays 4% interest a year. In 5 years, without making any further deposits, the total would be \$608.33. That's a profit of \$108.33 just for keeping money in an account.

**MONEY- \$MART
ACTIVITY**

For every dollar they save, give them a nickel. Pay this “interest” at least once a month. They will learn how compounding interest works.

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The Rule of 72

How many years will it take to double my money?

72 DIVIDED BY
----- = YEARS TO DOUBLE A SUM OF
MONEY
INTEREST RATE

Let's Look at an Example: You currently have \$100 in your bank account. Your account has an interest rate of 6%

72 ÷ 6 = 12, therefore, it will take 12 years for the \$100 in your account to double.

Why Give?

- Charitable contributions and donations make a difference.
- Values put into action
- No mandatory or minimum giving, but some people suggest donating 10% or more of the money you earn or receive.
- Make sure you give wisely and choose an organization that will use the money properly.
 - www.charitywatch.org
 - www.give.org
 - www.charitynavigator.org



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Ages 6-10

MONEY- **\$MART** ACTIVITIES

- Let your child “coupon hunt.” Then have them “manage” the coupons while shopping – finding the correct items. Afterwards, give your child the amount they helped save in their savings bank.
- Ask your child to pick out a breakfast cereal to learn the value of finding the best deal. Give them criteria – for example, the cereal can’t have sugar as a top ingredient and must cost under \$4. You can also do cost comparison of name brand vs. generic.

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Ages 11-14

KEY Concepts to Teach!

- Basics of budgeting
- Saving for short- vs. long-term goals
- Value of comparison shopping

Budgeting

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How to Make a Budget

1. **INCOME:** Find out how much money you make monthly/weekly
2. **EXPENSES:** Find out how much you spend monthly/weekly
3. **BALANCE:** Subtract your total expenses from your total income

If money is left over, you could add it to your savings

If no money is left over, evaluate and decide where to cut expenses

How Much Do You Earn?

- Income per: Month Week
 - Allowance: \$ _____
 - Paid chores: \$ _____
 - Other income (gifts, etc.) \$ _____
 - **TOTAL INCOME:** _____

Saving vs. Investing

- Saving is for a shorter term (usually 5 years or less) with a specific goal(s)
- Investing is like saving, except its for a long-term goal (5+ years) like retirement or to help you buy a home.

Shrewd Shopping

Teach your older child(ren) that taking time to research products can save a lot of money. There are three steps careful shoppers should do before any purchase:

1. Research the product to find out if claims about it are true. Look for ads, go online and read consumer magazines.
2. Ask for recommendations from friends.
3. Call three stores for the best prices. Track this information

SPECIAL CONSIDERATION: Curb on the spot spending by waiting at least 24 hours.

Ages 11-14

MONEY- **\$MART** ACTIVITY

- Give your child a clothing catalog and a pretend budget (i.e. \$300). Tell him/her to pick out an entire winter or summer wardrobe while staying within their budget.

MONEY- **\$MART** TIP

- If your child really wants a game or toy, suggest they ask to borrow it from a friend or try it at a friend's home before spending money on it.

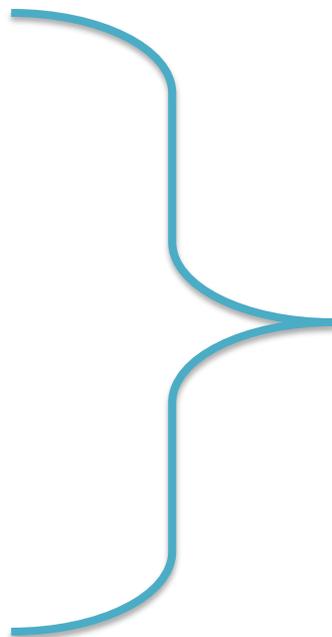
Ages 15-18

KEY Concepts to Teach!

- The importance of continued education/post-secondary options
- Saving for long-range goals, such as college
- Investing
- Debit vs. Credit
- The cost of credit and loans

What does your child want to be when they “grow up?”

- **Teacher**
- **Doctor**
- **Athlete**
- **Musician**
- **Mechanic**
- **Lawyer**
- **Veterinarian**
- ...



Statistics

(PA Career Guide, 2010-2011)

1 in 12,600 High School Basketball Players 'Go Pro'

1 in 4,400 High School Football Players 'Go Pro'

'Go Pro' means getting drafted

(Does NOT mean rich and famous)

**Nearly 80% of jobs
require postsecondary training**

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Statistics

College graduates make an average of **\$20,000 more** per year than high school graduates

These are median (mid-range) earnings for year-round, full-time workers ages 25 and older in 2000*.

\$20,000 x 40 years

= \$800,000

ALMOST A MILLION DOLLARS!!!!

Have your child talk to their high school guidance counselor for assistance with post-secondary education options.

Note: This calculation does not factor in the effect of inflation: that a dollar earned today is worth more than a dollar earned in the future. **

*[Occupational Outlook Quarterly](#), Bureau of Labor Statistics

**US Census Bureau, "[The Big Payoff](#)"

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Ouch! Paying for College



- College can be expensive, but it's worth the investment! Tips to ease the pain:
 - Scholarships
 - Grant aid
 - Federal loans offer better rates than private loans or credit cards
 - College saving plans like (i.e. 529 plans)
 - Work on or off campus to build valuable experience

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The Pennsylvania Treasury offers two distinct 529 plans to meet the needs of nearly anyone who wishes to save for college:

The Pennsylvania 529 Guaranteed Savings Plan

Growth in the PA 529 GSP is based on tuition inflation. For example, if you save enough now for a semester at one of Pennsylvania's State System of Higher Education universities you will have enough for a semester there in the future – no matter when or how much tuition increases in the meantime.

The Pennsylvania 529 Investment Plan

Returns in the PA 529 IP are based on financial market performance. The PA 529 IP features low fees and more than a dozen conservative and aggressive investment options from Vanguard, one of the nation's largest financial services companies.

Families saving through either plan receive tax-deferred growth on earnings and tax-free withdrawals when funds are used for qualified educational expenses.

For more information or to participate in a webinar conducted by a Treasury program specialist, please visit www.PA529.com.

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Investing

- Investing is like saving, except its for a long-term goal like retirement or to help you buy a home.
- With you or with a professional advisor's help, your child can learn to main investment concepts:
 - Bond investing
 - Stock investing

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Investing

Investing is long-term saving!!

Stocks

- Stock investing is when a person buys a share, or piece, of ownership in a company and as an owner benefits from the company's earnings.

Bonds

- When one buys bonds, they are loaning a company or government money that will be repaid with interest after a set period of time.

Additional Investments

- Other forms of investments include:
 - Mutual funds – made up of stocks, bonds, and other investments.
 - Real Estate – you can buy a house to live in and sell later, buy property for someone else to live in (or rent) or buy land and hold it until it rises in value.
 - Retirement Plans – While not an investment themselves they help you set aside money to be used after you retire and have tax benefits.
 - Examples include: Individual Retirement Arrangements (IRA), 401(k) and Keogh Plans (for people who own their own business)

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Borrowing

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Borrowing

- **Loans**
 - Borrow money for a fee
 - Money borrowed must be paid back in full plus interest
- **Credit Cards**
 - Similar to loans
 - Higher interest rates than bank loans
 - Different from **DEBIT CARDS**, as debit cards take money directly from your bank account. It is not a loan, but your actual money. There is no debt or interest to pay.



Advantages of Credit

- Buy now, pay later.
- Purchase online.
- Don't have to carry large amounts of cash.
- Establish good credit history.

Disadvantages of Credit

- Spend more than if you use cash.
- Items purchased actually cost more if you can't pay off the balance each month.
- Debt hinders you from saving and investing.
- Establish poor credit history.

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Imagine.....

You use your credit card to pay for gas, clothes, and entertainment for the next 3 months. Before you realized it you've charged \$550 on your credit card.

If you **NEVER USE IT AGAIN**....

How long will it take you to pay off the balance if you ONLY pay the **minimum payment** every month?

5+ years = 63 months = 1,890 days

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What Do You Actually Pay?



Amount Charged	+ Interest	= Total
\$550	\$245.65	\$795.65

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Final Thoughts!

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Remember to:

1. Relate money to lifestyle.
2. Get rid of limiting beliefs about money.
3. Develop foundation skills.
4. Create a savings plan.
5. Build a strong financial foundation.
6. Teach the power of savings, investing and compounding interest
7. Provide insight on becoming a savvy shopper.
8. Discuss the pros and cons of credit and loans
9. Encourage your child to discuss plans after high school
10. Get Started **NOW!**

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Additional Resources

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http://www.personal.psu.edu/mcs5043/cfconew/

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JumpStart! FINANCIAL SMARTS FOR STUDENTS

Welcome To The Center For Financial And Consumer Outreach!

Recent changes in the national economy and public policy have led to a rise in the number of organizations developing and delivering Financial Education throughout the nation. The Penn State Behrend Center for Financial and Consumer Outreach (CFCO) is one such organization whose objective it is to help people to choose and use financial services successfully.

Read More...

For additional information contact the CFCO office at:

Center for Financial & Consumer Outreach
Penn State Erie, The Behrend College
5101 Jordan Road
Erie, PA 16583
814-898-8553

GAMES & RESOURCES

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Save · Spend · Succeed

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CashCourse
Define your finances. Define your future.

TOOLS & RESOURCES

Ask an Expert

Personal

Done

start Center for Financial a... Internet 100% 1:55 PM

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CFCO Website Resources

- <http://behrend.psu.edu/cfco>
 - Program request form
 - E-newsletter and Mindful Money registration form
 - Train-the-Trainer videos
 - Ask an Expert Feature
 - Online calculators and learning resources
 - Parents Corner



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- Family Money Talks
 - Parent Resources
 - EduNation Challenge
 - Outreach Guides
 - Learning Center
 - Video Guides



Receive Quarterly Updates on the Financial EduNation Movement

Name:

Email:

[Tell a Friend!](#)

[Become a Financial EduNation Ambassador and bring financial literacy to your community.](#)

The Financial EduNation campaign provides communities comprehensive resources to address the financial illiteracy epidemic. This movement will reach every county in the US through collaboration with community organizations, educators, businesses, parents and concerned citizens.

Make Your Action Pledge Now

I am a from and will

Campaign Goal: Generate one hundred thousand action pledges from communities across the country so our youth can achieve the American Dream of a "better, richer and happier life".



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the mint
It makes perfectcents™

fun for kids | tips for tweens | pointers for parents | ideas for teachers

your financial IQ | parenting guide | teaching tools | parent blog | try it!

Parents and Kids and Money



As parents, we understand the importance of literacy. We sit for hours reading with our children. However, children must be "literate" about money matters, too.

Learning how to think about money and manage it wisely is an equally important life skill. We must patiently help our kids "sound out" the many ways to control money. Our kids will learn by doing. Some lessons will be thrilling. Others will be frustrating, even painful.

In the end, we hope that our children will grow into financially responsible adults. The rewards are life-altering: living within their means, free from the anxieties of debt, and secure in their future.

This section will give you tips and tools for teaching money literacy – and help you assess your ability to model good financial habits. Read on!

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http://familymint.com

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Helping kids appreciate money™

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Set up in less than 10 minutes

TOUR PLANS & PRICING FAQ BLOG

Sign-Up Free!

The *simplest* way to raise money-smart kids

Online budgeting for kids

Online budgeting and money management for kids where parents are the bank.

- Automates allowance
- Teaches kids to set goals
- Motivates kids to save

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Teaching Prudent Investment Habits to Children

Most experts suggest that kids need a more interactive experience to learn things, obviously leveraging their desire to play video games. Your child needs quality time with a parent, and what better way is there than to use FamilyMint to learn about managing money and go through good books together and highlight what is important and what is not.

Read more >

Testimonials More Testimonials ▶

Chris

I am afraid that in the past we have probably short changed the kids and ourselves – forgetting to pay them back and slacking on them paying us back. This puts an end to all of that.

Frank

Please keep up the good work with FamilyMint! I have incorporated the system into our family and it has worked wonderfully to teach my kids the value of money.

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Welcome to Pennsylvania Jump\$Tart!

Working together we can improve the financial literacy of Pennsylvania's youth!

If you're involved with or concerned about young people learning how to handle money successfully - you've come to the right place!

The Pennsylvania Jump\$Tart Coalition is a statewide, all volunteer, non-profit organization dedicated to improving the financial literacy of Pennsylvania's youth. Consisting of over thirty-five individuals and organizations the coalition brings together businesses, government agencies, and educators. Our mission is to improve the financial literacy of Pennsylvania youth by promoting the teaching of personal finance in kindergarten through twelfth grade. The Coalition believes that all youth must have the financial literacy necessary to make informed financial decisions.

Pennsylvania Jump\$Tart Coalition's Objectives:

- Increase financial literacy among the youth of Pennsylvania
- Enhance professional development in financial literacy
- Raise public awareness of need for financial literacy
- Create a clearinghouse of financial literacy educational resources
- Assist other charitable and educational organizations in the conduct of financial literacy efforts

<http://www.jumpstart.org/states-pennsylvania.html>

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Friendly tips, tools and time-tested wisdom for making the most of your money.



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Welcome to Your Money's Best Friend,

a web site just for Pennsylvanians. On this site you can find resources to help deepen your understanding of financial issues, deal with major milestones in life, and connect with state and local services to help you make the most of your hard-earned money.

It's Game Time!

Test your financial know-how in Financial Football. The Office of Financial Education is excited to offer the game to visitors of Your Money's Best Friend through a partnership with Visa and the NFL. [Learn more...](#)

Disaster-Proof Your Finances!

Emergencies and natural disasters can strike at any time – often with little or no warning. That's why it's critical to safeguard important documents and make sure you have adequate insurance to replace your belongings before the unexpected occurs. [Learn more...](#)

Educators Learn How to Add Financial Savvy to Classroom Lessons

Thousands of Pennsylvania students will be better prepared to manage and make sound decisions about their personal finances as the result of a program offered to teachers by the state departments of Education and Banking. [Learn more...](#)

New Identity Theft Resource

The Pennsylvania Commission on Crime and Delinquency has created a new website called "The Identity Theft Action Plan" that provides tips for protecting yourself and what to do if you're a victim. [Learn more...](#)

Credit

People often talk about having good credit, bad credit or no credit. But what does that really mean? [Learn more...](#)

Let BUCK fetch you some local resources.

Within:

Of:



Commonwealth of Pennsylvania

Edward G. Rendell, Governor

[visit website →](#)

Flex Some Fiscal Muscle

Check out Visa and the NFL's Financial Football Training Camp.

[play ball →](#)

Games for Kids

Use this link to play learning games about money.

[play the games →](#)

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