Morgan Stanley

COMMON CENTS:

A Kid's Guide to Money

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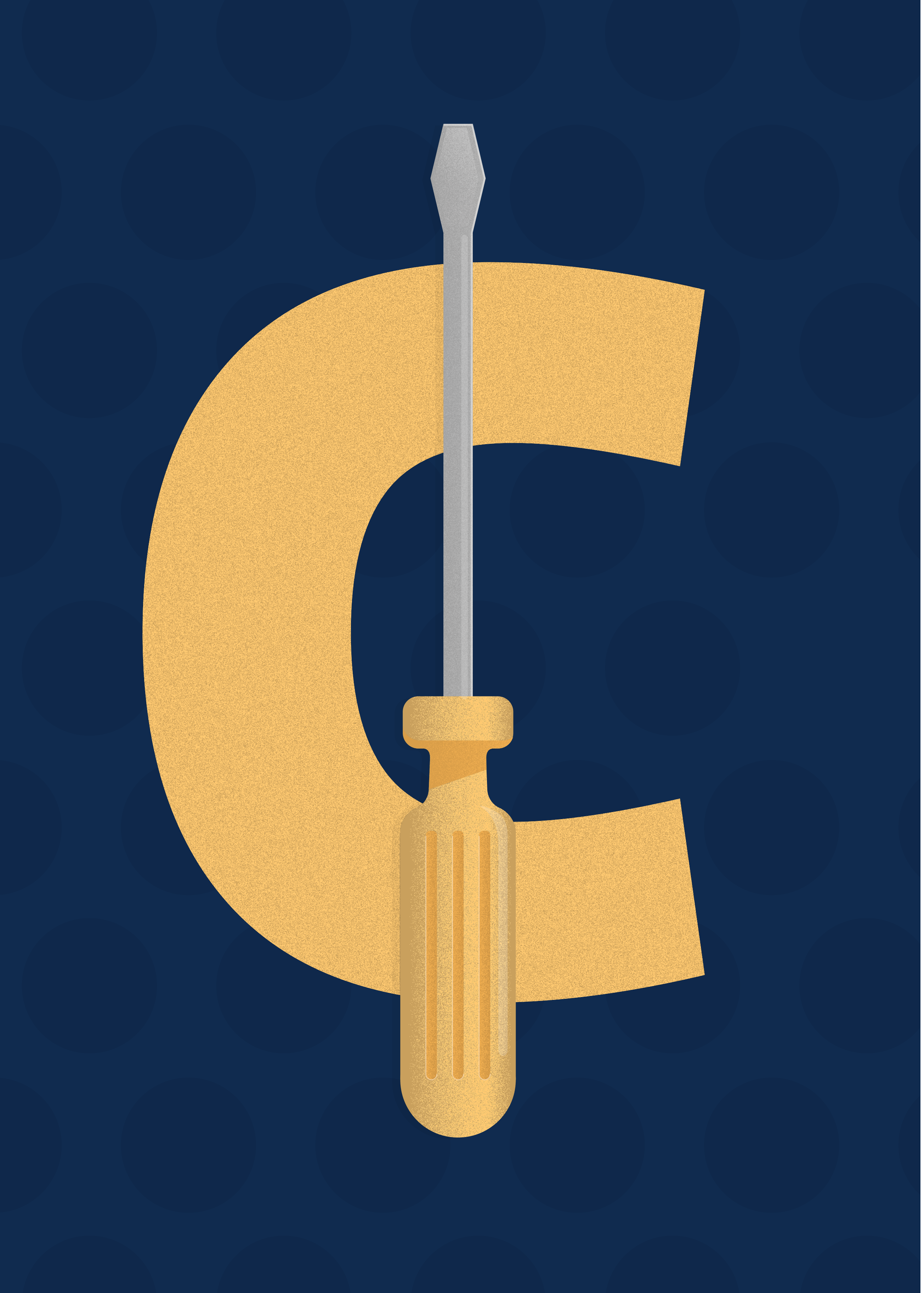
What is money, what does it mean, and why does it matter?

Common Cents: A Kid's Guide to Money is your ultimate guide to making sense of cents. Filled with helpful information, quizzes, checklists, worksheets, and tips, this book can help you better understand money so you can make your money count.

The more you know, the more you'll be able to make smart financial decisions for your future. For over 80 years, Morgan Stanley has been helping families and people of all ages navigate their financial lives by sharing knowledge and guidance on how their money can help them accomplish their goals.

This book was written to help young leaders and curious readers like you better understand spending, saving, investing, and giving; and empower you to make your own money game plan.

Let's get started!

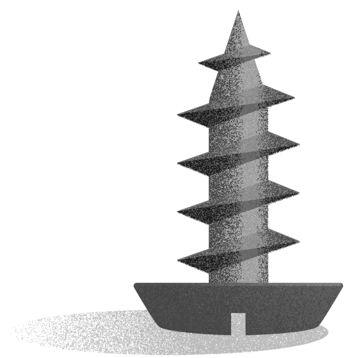


CHAPTER 1

The Meaning of Money

We all use money, pretty much every day, but it can mean something different to everyone. It may help you buy necessities such as food and a home, offer the freedom to purchase luxuries and experiences like traveling or going to a concert, or provide the ability to access important resources such as education and healthcare.

Money is used everywhere in exchange for goods and services that we need to survive. It enables us to purchase the things we want to build the life we desire, but not everything in life can be purchased. Important pillars of our lives such as our relationships, empathy for others, passions, curiosity, respect, and determination cannot be bought, nor are they guaranteed with money.



Money does not determine who you are or who you can become; it ***is simply a tool*** ***that represents opportunity*** to help you live out the type of life you want.

The Value of Money

Answer the following questions to help you think about what money means to you.

What are the three most important things I need money for right now?

1. ______________________
2. ______________________
3. ______________________

What are three important things I will need money for in the future?

1. ______________________
2. ______________________
3. ______________________

What are three words that describe how I feel when I have money?

1. ______________________
2. ______________________
3. ______________________

What are three words that describe how I feel when I don't have money?

1. ______________________
2. ______________________
3. ______________________

What three things would I do if I won the lottery tomorrow?

1. ______________________
2. ______________________
3. ______________________

What are three things I value that I would still have if I didn't have money?

1. ______________________
2. ______________________
3. ______________________

Money Doesn't Grow on Trees

There are a few ways you may get money: earning it, receiving allowance, and being gifted it from others.

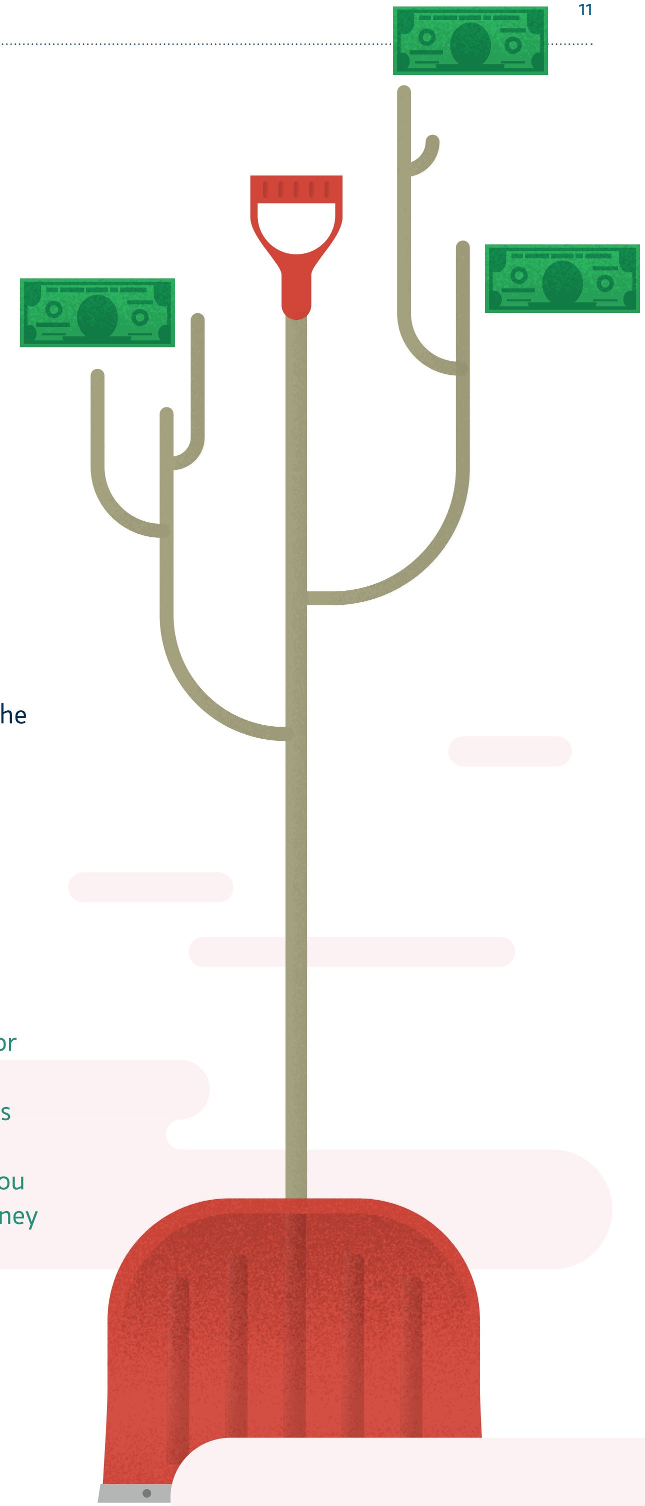
ALLOWANCE

Do you receive a set amount of money each week (an allowance) based on your completion of certain chores or tasks around the house, or are you given a set amount of spending money? Do you use your allowance to contribute to any set expenses, like your monthly smartphone bill?

EARNINGS

Do you make money for shoveling snow or walking the neighbor's dog? Do you have particular skills you offer to others for a cost, such as babysitting or tutoring? Maybe you make goods such as crafts or baked treats that people buy from you? The money you receive by selling your services or goods is considered *earnings*.

> **DID YOU KNOW??**
> As an adult, a portion of your earnings gets taken by the government in the form of "taxes." Everyone pays taxes to help cover costs for public services such as running local fire departments and fixing bumps in the road. It is important to learn about taxes so you can make sure you are paying the right amount as an adult. Otherwise, the government can ask you for more money that you might owe.



GIFTS

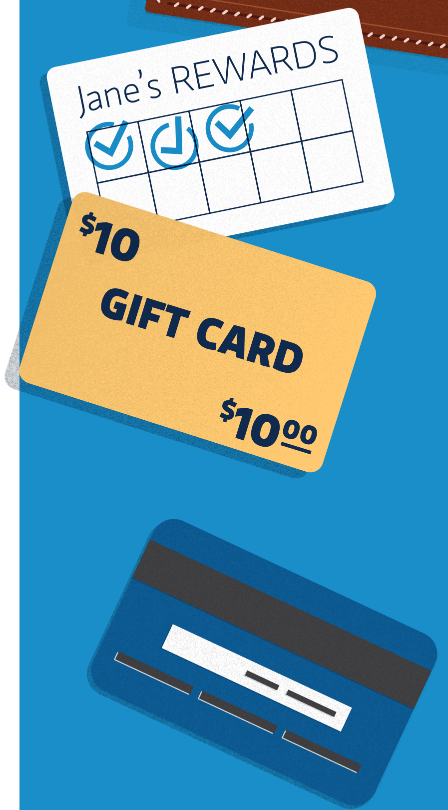
Sometimes, money is given to us as gifts. This could be for your birthday or during the holidays, or for a particular milestone or special occasion.

> **HELPFUL HINT:**
> To better understand how taxes work, for every dollar you earn, put aside 10 ¢. As a kid, you don't need to pay income taxes to the government yet, but this exercise can help you get in the habit for when you are older and allow you to put extra money aside for savings.

Wallet Anatomy

1. CASH (may include earnings from a babysitter job, monthly allowance, or a gift from a family member)

- Money required for weekly expenses such as bus fare or school lunch
- Bills and spare change to be used for small, immediate purchases such as ice cream after school or a movie with friends
- Savings to be put aside for bigger goals such as a new bike



2. REWARDS CARD

- A way to thank you for being a loyal customer to a particular store, restaurant, or brand. A rewards card does not hold any monetary value until you reach the goal (i.e. receiving 10 stamps). Once you reach the goal, you can earn a free item or discount towards a future purchase.

3. GIFT CARD

- Store gift cards are limited to purchases at a particular store or brand, whereas generic gift cards (i.e. Visa) can be used any place where cards are accepted.

4. CREDIT CARD AND/OR DEBIT CARD

- Plastic or e-cards that allow you to pay for things without cash. They work differently depending on what type of card you use.

Dollars Go Digital

Money is also kept beyond our wallets. It can be found in the palm of our hand on smartphones, tablets, computers, and smartwatches. With the click of a button or tap of a device we can spend money, whether it is buying something online, purchasing apps on our phone, ordering food, or paying someone.

With both physical and digital wallets, it can be easy to lose track of how much we are spending. Without physically counting money and using it to purchase goods and services, our online purchases can easily be forgotten. Therefore, it is important to always monitor what you are buying so that you don't overspend.

Money Diary

dear diary

Creating a weekly money diary can help you see exactly how much money you are spending on certain things.

Step 1: Keep a spending diary for one week. For each day, list items purchased and the amount you spent.

Step 2: After one week, look at all your expenses. Group similar expenses together. What are the common categories?

Step 3: Decide on names for each spending category (for example: food, transportation, clothes, entertainment).

Step 4: List categories and enter how much you spent in each.

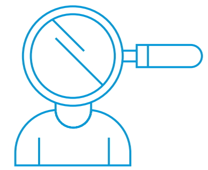
Category (Examples)	Spending Amount
School Lunch	$
Food outside of school	$
Entertainment (i.e. video games, app downloads)	$
Social outings	$
Transportation (i.e. bus, subway, or train fare)	$
Clothes and/or Toys	$

Laying out your weekly spending can help you understand exactly where your money is going and allow you to notice if there are categories where you'd like to cut back spending.

DID YOU KNOW??
At 16 years old, John D. Rockefeller began writing down every expense by hand in his infamous "Ledger A," and continued that practice for the rest of his life.[1]

[1] WGBH Educational Foundation. The Rockefeller Timeline. PBS. Aired October 16, 2000

What's Your Money Personality?



Everyone spends their money differently, and we each connect with money in our own way. Take this quiz to find out more about your money personality and how it may influence your spending and saving.

1. You just got a $20 bill, what do you do with it?

a. Put it in your pocket as you will spend it after school today.

b. Put it in your wallet for when you will need cash this weekend.

c. Put it in your piggy bank so you can put it towards something you're saving for.

2. You lost your new favorite hat at school, what do you do?

a. Don't worry about it, you can just ask for a new one.

b. Check the lost and found at school before giving up.

c. Think carefully about every place you went that day and the last place you had it. When you've checked each spot look in the lost and found before posting a note on the school bulletin board.

3. You received a gift card for your birthday, where is it?

a. Somewhere at home, not sure exactly where but you know it's there.

b. In your wallet which you carry around, so it's on you if you want to use it.

c. In a specific place in your room where you keep all your gift cards. You will take it out only when you're ready to spend it on something specific.

4. You won $500 in a raffle, what do you do with the money?

a. Shopping spree!!!!

b. Save some and spend the rest on new toys and clothes, even though you already have plenty of both.

c. Buy one thing you've been wanting for a long time and then put everything else in savings.

5. Your friend pays for your lunch and you tell him you'll pay him back, what do you do?

a. Forget about it. If he really needs the money, he'll track you down and ask for it.

b. Pay him back when you have extra money on you, whenever that may be.

c. Go home and count out the money from your wallet or piggy bank so you can pay him back first thing tomorrow.

6. You and your best friend go to the movies. You each want to get popcorn but your friend doesn't have enough money. You still have some extra money, what do you do?

a. Give it to your friend, you won't miss it.

b. Offer to lend your friend the money, as long as they pay you back.

c. Tell your friend you're saving your extra money, but that they can share your popcorn.

CHECK YOUR RESULTS ON THE NEXT PAGE

What's Your Money Personality: Results

MOSTLY A'S:

Spontaneous Spender

You love instant gratification. You may find yourself thinking "If I have it, why not use it?" When it comes to your money, try thinking about the bigger picture. Spending your cash immediately may feel good at the time, but then you can fall short when it comes to other goals in the future. Every time you spend money on one item, it is a trade-off for spending it on something else and could prevent you from buying something you actually need at a later date.

MOSTLY B'S:

Casual Counter

You're level headed and try to do everything in moderation. When it comes to money goals, take the time to think about what you want, and use budgeting tools to help see if you're on track. If you come up short on money, think about areas where you may be able to spend less or ways you may be able to earn more. Little changes that can increase your savings or decrease your spending can add up to big results over time.

MOSTLY C'S:

Precise Planner

You're super organized and try to always think ahead. Using simple tools like budgets will allow you to plan ahead and stay in control of your finances. Life happens and things change that may influence the amount of money you have. Keep an eye on how much you're spending and saving to make sure you can adapt when necessary, but don't be too strict all of the time. Rewarding yourself occasionally can help keep you stay motivated as you build healthy money habits.

Money can sometimes feel like an "off limits" topic, but it shouldn't be. Talking about money with your parents, family members, or trusted adults is a great way to learn more about how you can make smarter choices for your future.

Table Topics:

Questions to ask parents, family members, or trusted adults to better understand money

1. Did your parents teach you about money growing up? Did you learn about money in school?

2. What was the most important thing somebody taught you about money?

3. Who do you go to when you have questions about money?

4. What are some of the most important things money allows you to do?

5. What are some of the most valuable things in your life that money can't buy?

6. What does it mean to you to have a "rich" life?

CHAPTER 2

Spending Wisely

When you earn money, it is considered *income*. Your parents or family members may talk about how they earn a *salary*, which is the amount of money they are paid over a year for doing their job, or an *hourly wage* which is the amount they are paid per hour.

As an adult, a portion of your income goes towards *taxes*. As a kid, you are already paying certain taxes called a "sales tax" which is an additional percentage added to the amount on the price tag when you buy something. But as an adult, you will also need to pay income taxes on money you earn. The amount of money you have remaining after taxes is called *disposable income*. This is the money available to pay for essential things like housing, groceries, medical care, and bills (or the things you need), as well as luxuries like new clothes, cell phone bills, trips to the movie theater, or going out for pizza (or the things you want). Choices on how to spend your disposable income will depend on your current *needs* and *wants*.

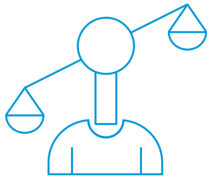
DID YOU KNOW??

The word "salary" comes from the Latin word for salt because before money, Romans were originally paid in salt!

DID YOU KNOW??

The amount of taxes you pay depends on where you are. For example, Delaware has zero sales tax, so if a price tag on a shirt says $15, you are charged exactly $15. If you purchased the same shirt in a state that does have sales tax, however, the tag will say $15 but you will pay a higher price at checkout. Similarly, several states, including Florida, do not have state income tax, which is why many people may choose to retire in the Sunshine state so that they do not have to pay as much in taxes!

Needs vs. Wants



When making spending decisions about your money, it is important to understand the difference between needs and wants.

Needs are items or services that are mandatory, you have to have them to survive. Wants are optional, you can live without them (even though you may really want them) and are considered comforts or luxuries.

Need or Want?

Here is a checklist to help you determine if something is a need or a want.

	YES	NO
Is this required for my survival?		
Will it allow me to stay safe and healthy?		
Is it mandatory for school or an afterschool program?		
Has a parent, guardian, or teacher told me that it is required?		

If your answers are mostly "yes," then this purchase is likely something you need. If your answers are mostly "no," then this purchase may be more of a want. Ask yourself if you really need to spend money on this right now, or if it is something that you could pass on for the time being. When considering a "want" purchase, take time to think through whether it is money well spent. Use the following chart to help determine whether a purchase is really worth it.

Worth it or wait on it?

	A	B
Have I wanted to buy this for a while?	Planned purchase	Impulse buy
Is it exactly what I want?	Fits/works perfectly	Not exactly but close
Do I already have something similar?	No	Yes
How much will I use this?	A lot	A little
Am I being persuaded to buy this because of an "influencer"?	Doesn't matter, I want it regardless!	Social media told me I need it so I should buy it
Will I still want it next month?	Definitely	Not sure
Will I still want it in 6 months?	Definitely	Not sure

If you circled mostly A column answers, you've likely taken the time to think through this purchase and you feel it is worth the cost.

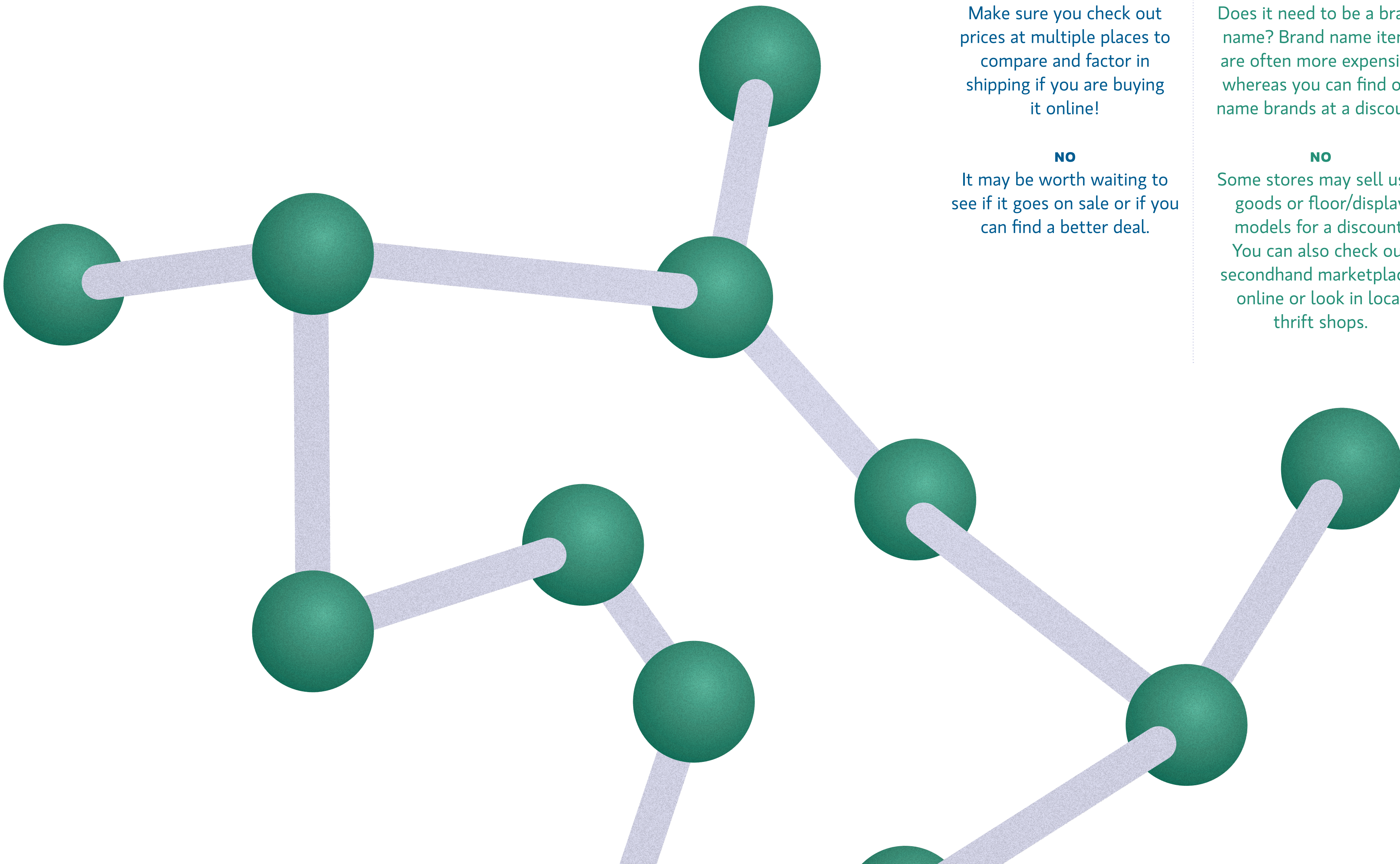
If you circled mostly B column answers, this may not be the right opportunity to spend your money.

Smarter Spending

When spending money, always consider your options to help you make better decisions.

Before you make a particular purchase, ask yourself what exactly it is that you need, what quality or condition must it be in, are there different places where you can find it, and how much are you willing to spend?

Once you have these answers, go through the following decision tree to find smart spending strategies.



1 Do you need it right now?

YES
Make sure you check out prices at multiple places to compare and factor in shipping if you are buying it online!

NO
It may be worth waiting to see if it goes on sale or if you can find a better deal.

2 Do you need it brand new?

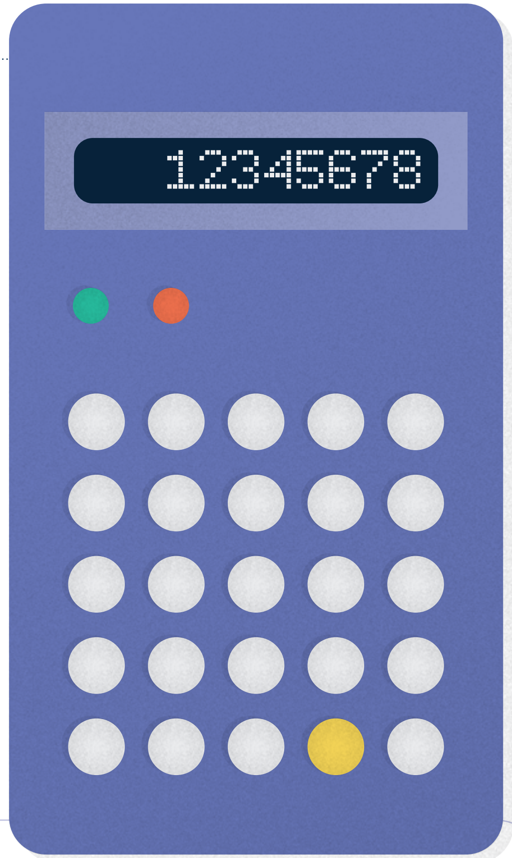
YES
Does it need to be a brand name? Brand name items are often more expensive, whereas you can find off-name brands at a discount.

NO
Some stores may sell used goods or floor/display models for a discount. You can also check out secondhand marketplaces online or look in local thrift shops.

3 Do you know someone who already has this item?

YES
Ask them about theirs, how much they use it, and if they are happy with it to get feedback before you buy!

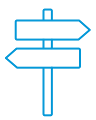
NO
Check out reviews online to get a better feel for if the item is worth the cost.



Budgeting 101

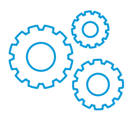
One tool to help easily monitor spending is called a *budget*, which shows you how much money you have and how and where it is being used.

Budgeting doesn't have to be scary or overwhelming. It's an important tool for managing your money and supporting your lifestyle. It is useful for many reasons:

1. 
It allows you to understand exactly where your money is going

2. 
It can help you avoid overspending and make sure you have enough money to pay for expenses

3. 
It can help you save for certain things, showing you exactly how much and how often you need to save

4. 
It creates a helpful habit for you to continue throughout adulthood

Before making a budget, consider the three buckets where your money is going:

Monthly Fixed Costs:
Fixed costs are expenses you have every month. These are expenses that you cannot do without— they may include lunch money, bus fare, etc.

Monthly Flex / Variable Costs:
Flex costs or "variable costs" are expenses that you typically pay each month but can be considered extras. For example, maybe you spend $20 every month on an outing with friends (whether it is going out for ice cream or catching the latest movie).

Savings:
Putting aside money each month can help you achieve *savings* goals while making sure you have some backup money available for any unexpected costs. Are there small changes you can make to save money in your daily life? Do you really need that milkshake at the mall or maybe you would rather save that money to put towards visiting an amusement park with friends.

As an adult, your ability to budget will be even more important. With monthly fixed costs such as paying for your home, car payments, health insurance, bills for utilities such as heat and water, and grocery shopping, it's important to learn this skill now to help ensure that you also have money set aside for fun experiences.

You may already have some practice budgeting!

In many video games, you may have the opportunity to earn points or coins which you can then use to improve your game experience. This is similar to managing money in real life. For example, when you **earn** points, you then **save** up your points in order to **spend** them on purchases for your character or **invest** them in new tools or resources that can help you win!

Creating a Budget Worksheet

INCOMING		
Money That I Receive Every Month	Money I earn from jobs (such as babysitting, chores, or selling things):	
	Money I receive as allowance:	
	Gift money:	
	INCOMING TOTAL	
OUTGOING		
Monthly Fixed Costs	Food:	
	School expenses:	
	After school program expenses:	
	Transportation (i.e. bus tickets):	
	SPENDING TOTAL	
Monthly Flex Costs	Clothes:	
	Entertainment (i.e. going to the movies, outings with friends, renting movies, or buying games on my phone):	
	SPENDING TOTAL	
Savings	Amount of money I put away for savings:	
	OUTGOING TOTAL (fixed costs + flex costs + savings)	
	INCOMING TOTAL – OUTGOING TOTAL **Amount remaining for additional saving or spending**	

When looking at your budget, look at the amount you are putting in savings. Go through your monthly expenses again and see if there are costs that you can stop or reduce. This is where you may need to start prioritizing which ones are most important. Every little bit counts; saving any amount is still saving!

Creating a budget is not a one-time exercise: think of it as a habit to keep practicing. Life is full of unexpected circumstances and changes may happen that require you to adjust your budget.

With monthly fixed costs such as paying for your home, car payments, health insurance, bills for utilities, and grocery shopping, ***it's important to learn how to budget.***

Cash Flow

The movement of your money coming in (earnings, allowance, gifts) and going out (spending) is called *cash flow*.

1 **To calculate your personal cash flow, take the amount of money you are getting:**

INCOMING: (say you get $20/month in allowance and you make $40 babysitting your cousin each month; that is $60 total of income every month).

2 **Then subtract the amount of money you are spending each month:**

OUTGOING: (say you spend $5 each week on snacks after school and $20 a month for an outing with friends; that is $40 in total expenses every month).

3 **+ $60 incoming money**
– $40 outgoing money
= $20 leftover

Since you have money left over, this means you have a POSITIVE cash flow.

Do You Sell Goods or Services?

Understanding cash flow is very important for any business!

When adding up the money you earn, remember to factor in any cost of doing business. Any costs associated with the job should be subtracted from the amount you earn to understand the actual amount of new money you make.

For example, say you make picture frames and sell them at a local craft fair for $10 each. If you sell 5, you make $50. Maybe you had to buy wooden frames ($1 each) and decorative supplies ($3 for each frame). That means for every $10 frame you sell (incoming money), you have to subtract $4 of construction cost (outgoing money) in order to understand your cash flow. In reality you end up with $6 per frame as your "profit."

+ $10 income
– $4 cost
= $6 profit

Avoiding Overspending

Overspending can easily happen if you aren't careful.

Think about a time you overspent: maybe you spent money on something unimportant, leaving you with little money for something you actually really needed. How did you handle the situation? How can you avoid making the same mistake?

You can help avoid overspending by making sure you don't fall for shopping traps and sales gimmicks:

1

DON'T BELIEVE EVERYTHING YOU SEE

Social media can sometimes trick us into thinking we need to make a purchase. Remember that "influencers" can be paid to promote certain products, so don't be overly swayed by their promotion.

2

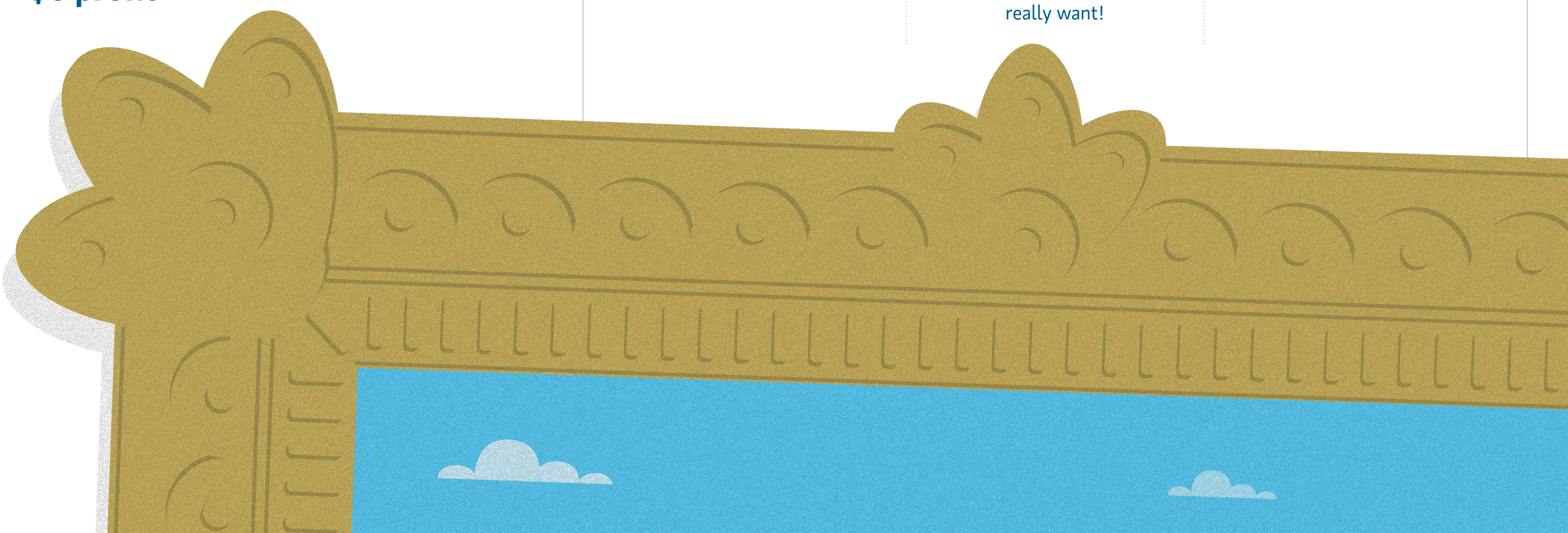
SMALL THINGS ADD UP

Stores love to lure you with little gifts at the register to try to get you to buy more before you check out, and restaurants may try to convince you to size up for just $2 more. Every dollar spent is a dollar you don't have to put toward something else you really want!

3

SALES CAN SOMETIMES CLOUD JUDGEMENT

Everyone loves a sale but that doesn't mean you should buy something. Use the "Worth it or Wait on it?" chart to help remind yourself what may or may not be a worthwhile purchase.



Easy Ways to Shrink Your Spending

If you need to make a purchase, ***consider if there are used or non-brand name options*** that would be sufficient.

Always check for coupons *or ask if there are any discounts.*

Join your public library. *In addition to books, libraries usually have movies, and other entertainment available for you to check out for free!*

Avoid vending machines *where food and drink items are usually more expensive.*

Instead of buying new video games, ***focus on games you may already have****, play a friend's games at their house, or offer to trade items with your friends for a period of time.*

If you are going to the movies, ***check the ticket prices*** *as it may be cheaper to go during the day, and bring your own snack.*

Smarter spending is the first step towards smarter saving! By making more informed purchasing decisions, you can feel good about when you choose to spend your hard earned money and when you opt to save it for something better later on.

Table Topics:

Questions to ask parents, family members, or trusted adults to better understand spending

1. How did you earn money when you were my age?

2. Did you get an allowance when you were growing up? If so, what did it require?

3. How do you decide on an approximate amount of allowance?

4. What are some monthly fixed cost categories you have every month?

5. What did you spend your money on as a kid?

6. What did my grandparents spend money on when they were my age?

CHAPTER 3

Savvy Saving

Saving! It's the magic word, the key to your future. Why? Money gives you the ability to reach your goals, pursue your dreams, and take care of yourself and the people around you.

As children, your parents, guardians, and family members help you. They pay for the home you live in, they feed you, buy clothes, and pay for medicine and visits to the doctor when you get sick. However, as you get older, you will need to start taking care of yourself, and that means paying for yourself.

Costs like college tuition, health insurance, or car payments may seem far away right now, but soon enough there are going to be bigger expenses in your life and it's never too early to start preparing.

Saving also helps you reach your short-term goals, giving you the ability to pay for items or experiences that you've been putting money aside for. And if you do this frequently, even if it's just a little bit, you'll find that your money goes further than you might have imagined.

It is important to understand how your saving decisions today can impact your opportunities tomorrow. Practicing smart saving habits can help give you options in the future to pursue more, experience more, and potentially achieve more because you have the finances to do so.

Creating a Budget to Achieve a Short-Term Savings Goal

Budgets can help you save for items you really want by showing you how long it will take you to reach your goal. Say you want to save up for a new bike that costs $120. Let's use our monthly budget as a tool to help figure out how you can make it happen!

INCOMING		
Money That I Receive Every Month	Money I earn from jobs (such as babysitting, chores, or selling things):	
	Money I receive as allowance:	
	Gift money:	
	INCOMING TOTAL	
OUTGOING		
Monthly Fixed Costs	Food:	
	School expenses:	
	After school program expenses:	
	Transportation (i.e. bus tickets):	
	SPENDING TOTAL	
Monthly Flex Costs	Clothes:	
	Entertainment (i.e. going to the movies, outings with friends, renting movies or buying games on my phone):	
	SPENDING TOTAL	
Savings	Amount of money I put away for savings:	
	OUTGOING TOTAL (fixed costs + flex costs + savings)	
	INCOMING TOTAL – OUTGOING TOTAL Amount remaining for additional saving or spending	

Now divide $120 by the amount of money you plan to save each month, and that will give you the number of months it will take to reach your goal.

WANT YOUR BIKE SOONER?

Take a look at what you are spending your money on every month. Can you cut down some of those expenses so you have more money left to save? The more you are able to save each month, the quicker you'll have enough to buy it!

If you want your bike within an exact period of time, divide $120 by the amount of months or weeks to see how much you need to save each month/week.

$120 / 3 months =
$40 savings needed each month

$120 / 10 weeks =
$12 savings needed each week

The What and Where of Saving

Up until now, your saving activity may have been primarily in your piggy bank. But there's a whole world of saving beyond that.

Let's take a look at three different types of saving.

1

IMMEDIATE-TERM SAVINGS

This is money you are choosing not to spend right now, instead putting aside to use soon, such as on a movie ticket this weekend. You keep it in your wallet to be used in the near term.

2

SHORT-TERM SAVINGS

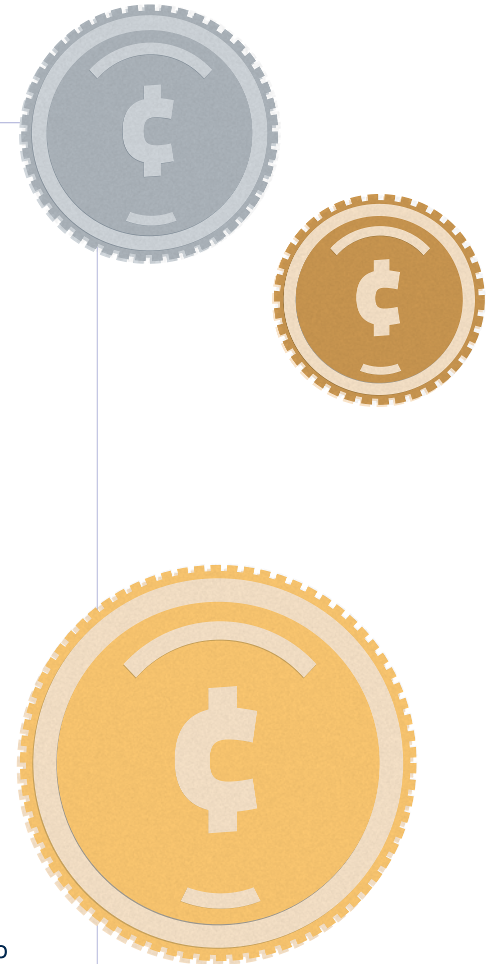
This is savings you are putting away for bigger expenses you are saving for, such as a new iPad, an airplane ticket to visit your cousins, or a trip to the amusement park. You should consider keeping these savings at the bank. This category is also important for unexpected expenses, like if you lose something and need a replacement, or have to pay to fix something.

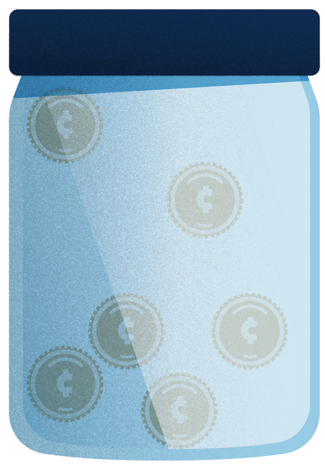
DID YOU KNOW??

In the middle ages, people would keep their money in jars made of a reddish-colored "pygg" clay. Centuries later, potters in England began making clay pots shaped as pigs, given the similarity of the words. This is how "piggy banks" came to be!

DID YOU KNOW??

Across US airports, passengers leave almost $1 million behind at security checkpoints over the course of a year.[1] Talk about small change adding up!





3

LONG-TERM SAVINGS

These are savings you are putting away to be stored for many years. You keep it in an account to invest in the stock market. This money is for your future: think along the lines of college, a car, a house! These costs may not feel relevant now, but trust us on this one: *starting to save early is the easiest way to make your savings grow.*

[1] Transportation Security Administration. (2019, May 29). Travelers leave behind $960,105 in unclaimed money at TSA checkpoints in FY2018 [Press release].

Money gives you the ability to reach your goals, pursue your dreams, and *take care of yourself and the people around you.*

Bank Basics

So how, exactly, do banks work? When you put your money in a *savings account* at the *bank*, they don't just hold the money for you. They typically take your money and lend it out to other people. Don't worry, your money is still safe, but that is how banks make money: they pool all the money together and lend it out to other customers who pay a small fee, called *interest*. In return, they pay you interest for letting them use your money temporarily. This means that you will get more money just for putting your savings in a bank account. Say you have $300 in a savings account at the bank. After a year, the bank may pay you 2% interest, which would equal $6, for keeping your savings at their bank. The longer you keep your savings in the account, the more money it will earn and continue to grow!

It's Never Too Early: The Magic of Compound Interest

Why is it so important to start saving early? The secret is something called *compound interest*.

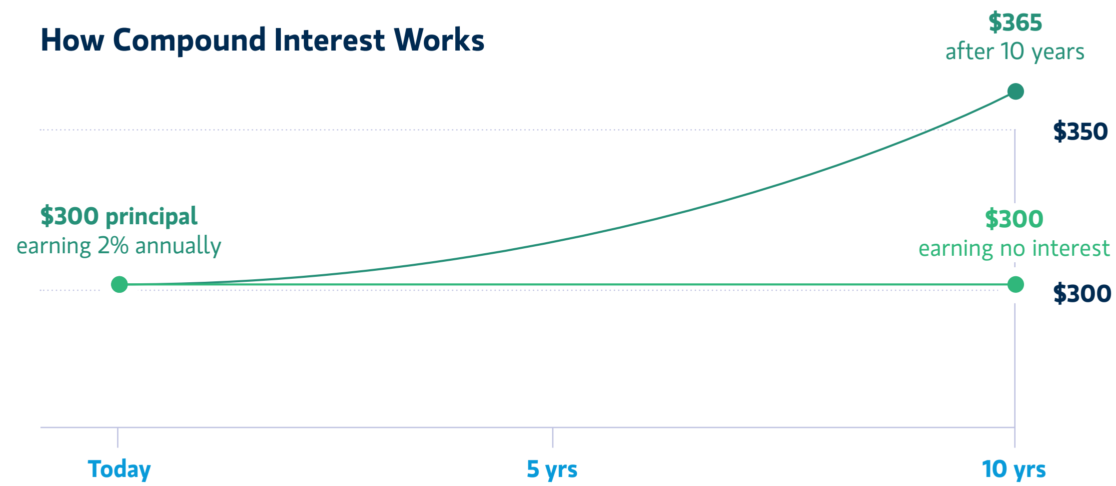
Here's How it Works

Let's take that $300 you have in the bank (the original amount you put in is called *principal*) which earns 2% annually or $6 interest. The next year, instead of getting $6, you would get $6.12 or 2% of $306 (your $300 principal plus your $6 interest). If you keep your money in the bank, the interest paid to you in the first year becomes a part of your increasing bank balance, so the interest you earn each year will then continue to grow. After 10 years, your $300 will grow to more than $365. This phenomenon of earning interest on your interest is called compounding. It allows you to watch your money grow, without having to do anything!

The interest amount may not seem like much at first, but if you are patient, it can add up in a big way.

The bottom line is: *the earlier you save, the better.*

How Compound Interest Works

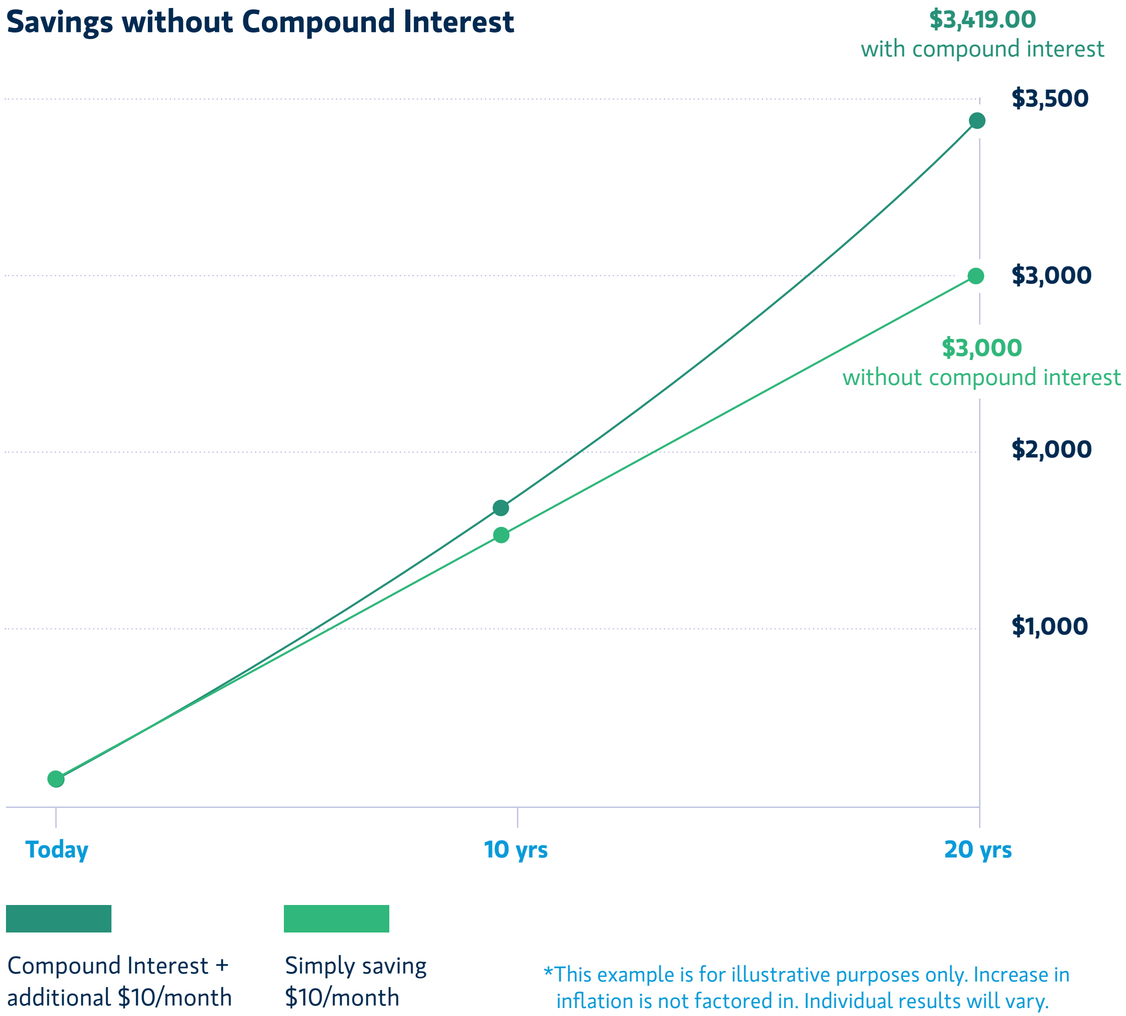


Compound Interest: The Coolest Kid in Class

Now let's say you also add $10 to your savings every month. So you have the original $300 in the bank account at a 2% annual interest rate, to which you contribute $120 ($10 x 12 months) each year. After 10 years, that money will grow to be over $1,705. And after 20 years? More than $3,419 at the annual 2% interest rate!

That's almost **$420 of extra money** you earned just from compound interest!

Savings with Compound Interest vs. Savings without Compound Interest



*This example is for illustrative purposes only. Increase in inflation is not factored in. Individual results will vary.

Saving Strategies

Here are some simple strategies to help you save smarter and sooner.

NO AMOUNT IS TOO LITTLE
Every penny saved counts. Each time you make a purchase, save the change, it's surprising how quickly it can add up.

THE BANK IS YOUR BESTIE
Don't carry around all your money. Put savings in the bank so you can take advantage of compound interest and enjoy watching that money grow in the future.

MAKE SAVING A MUST
Decide on an amount that you'd like to save every month and add that to your list of fixed expenses. Once you're in the habit, you won't miss it if you never got used to having it in the first place!

SET CLEAR GOALS
It can be easier to save when you know what you're saving for. Get specific about your goals as well as any upcoming expenses to calculate how much you will need to save.

MASTER THE ART OF SAYING "NO."
Try to overcome the feeling of FOMO or "Fear Of Missing Out." This doesn't just apply to big purchases, but can also relate to saying "not right now" to an ice cream outing with friends if it doesn't fit your budget this week.

PRIORITIZE AND COMPROMISE
Saving can be easier with small trade-offs.

For example:

- When meeting your friends at the mall, eat at home before you go so you don't spend money on food.
- If you are making a bigger purchase, consider if a used option would be a better deal. If you are looking to get a bike, someone may be trying to sell one that they have grown out of, or if you are interested in a guitar, there may be some gently used options in great condition that are a fraction of the cost.
- Opt out of spending activities that aren't your top choice. If you aren't excited about going to see the newly released movie with your friends, skip it and meet them afterwards so you can put more money towards your savings goals.

DON'T FORGET TO TREAT YOURSELF
When it comes to saving, recognize which small expenses give you the most pleasure and allow yourself to enjoy these in moderation. These occasional rewards can help keep you motivated as you build healthy money habits.

Check this out! The Rule of 72

Use the Rule of 72 to see how long it will take to double your money with the help of compound interest. All you have to do is follow this math formula:

72 / interest rate = number of years it will take to double your money.

So if you have a 10% interest rate, it will take 7.2 years to double your money, if you have a 5% interest rate, it will take 14.4 years to double your money.

The amount of money you save may increase or decrease, just like the amount of money you make and spend over time. At any time, you can change your budget to account for new costs or lifestyle choices. There may be times you are able to put more money into savings, as well as times you need to save less. The most important thing is that you commit to saving consistently, regardless of the amount.

Table Topics:

Questions to ask parents, family members, or trusted adults to better understand saving

1. How did you learn to save?

2. What was one of the most exciting things you saved for when you were my age? And how did you feel when you could finally buy it?

3. What was an unexpected expense you've had in your life when you were thankful you had savings in the bank?

4. Can you take a look at the budget I made for my savings goal and let me know what you think?

CHAPTER 4

Charging It

There is a difference between paying with cash or credit. When you pay with cash, you spend only the money you have on you at the time of your purchase. You do not owe more money in the future, and you are not charged any extra.

Credit is used to describe money that is not yours but that you can use and then pay back. Another word for this is a *loan*, or something that is borrowed with a promise to be paid back at a later specified date. When you use credit, you are required to pay back the amount, and possibly extra, later on. When you use a *credit card* to buy something, you're purchasing it on credit.

Creditworthy: The Ultimate Compliment

To be "creditworthy" means that when you agree to pay someone back, you treat that agreement as a promise and follow through. It is more than just saying "I'll pay you back, don't worry."

Think about what you would want to know about someone before lending them something valuable. Can you trust them to return it in the same perfect condition when you need it back? These are similar to the concerns that businesses think about when deciding who can borrow from them and how much they can borrow.

How Can You Prove You're Creditworthy?

Paying your bills on time and in the full amount shows you are trustworthy with money. As you get older, your track record or "credit history" is shown by a *credit score*. A good credit score helps position you as a responsible customer, whereas someone with a low credit score may be considered a "high risk" borrower. There are many points in your life when you will be asked about your credit score, such as when you're looking to buy a home, purchasing a new car, or signing up with a new internet provider. Your score will affect how people and businesses view you when it comes to borrowing money.

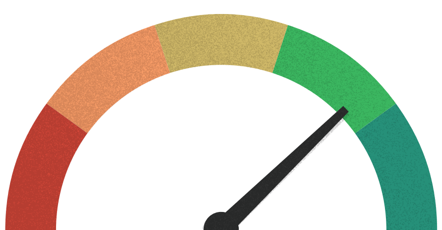
The more you can show that you are responsible with money, the more you will be trusted as a customer. Being creditworthy is a very important part of being financially responsible.

Put it on My Card

When using plastic or electronic cards, you are spending money but it provides the flexibility to not have to pay with cash. It's important to understand what credit and *debit cards* are, how they work, and the consequences of not using them responsibly. Since cards can be easily lost and potentially used by someone else, they should be treated with just as much caution as money in your wallet.

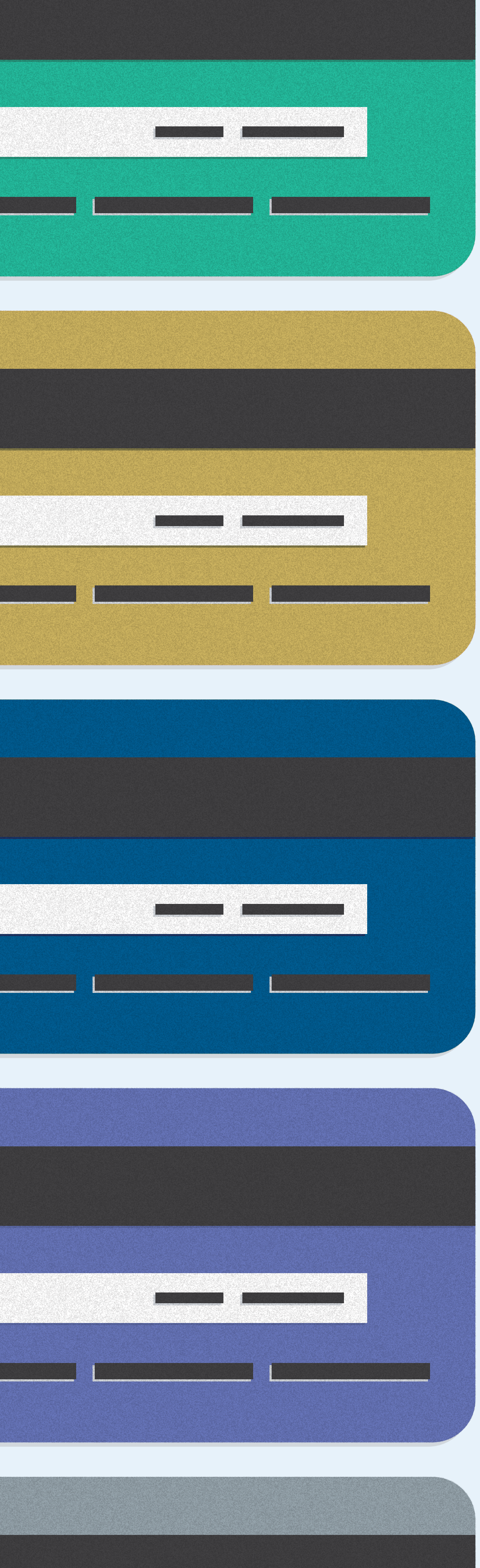
A Card is Born

In 1949, a man named Frank McNamara was eating at a restaurant with his wife in New York City. When the check arrived, he realized he had forgotten his wallet! He was embarrassed about the incident and came up with an idea to ensure it couldn't happen to others. It was called the "Diners Club" and allowed members to show a membership card at a restaurant instead of paying for their meal with cash. The restaurant would charge the Diners Club, and then the Diners Club would send the customer a bill at the end of every month with all the meal charges they owed.[1]



[1] Lord,L., "He Led the 'Charge It' Charge. (Cover Story)." U.S. News & World Report 127, no. 25 (December 27, 1999): 62.

Credit cards could potentially allow you to borrow more money than you can actually pay back, plus, you'll have all the added interest and/or fees to pay, which ***could cause you to go into debt.***



Types of Cards

Credit Cards

When you use a credit card, you are spending the credit card company's money. At the end of the month, they add up all the purchases you made on the card and send you a bill for the amount you owe them. You have the option to pay back the full amount, or only a portion of what you spent. However, if you don't pay back all the money in full or if you are late to pay them, you will be charged a hefty interest fee and an additional late fee.

Debit Cards

When you use a debit card, you are spending money directly from your own bank account. These cards allow you to spend your own money without having to carry cash, and since they are linked to your account, you cannot spend more money that you have at the bank. Debit cards can also be used to get cash from your account by using an ATM machine and you may be charged a fee for using the ATM.

The Cost of Credit

Credit cards and debit cards can be incredibly convenient by allowing you to buy items or services with a simple "swipe" or "tap."

The easier money is to spend, however, the easier it can be to lose track of. Without counting money by hand and watching it disappear across the counter, cards can make you feel like you are spending free or unlimited money. Since credit cards could potentially allow you to borrow more money that you can actually pay back, it can be easy to overspend. Plus, you'll have all the added interest and/or fees to pay that accumulate each month, which could cause you to go into debt.

Here's what you need to watch out for:

1. CREDIT CARD DEBT

Since customers aren't required to pay back the full amount of money spent on credit cards each month, they can choose to keep a balance on their credit card. This is called credit card debt, which can be very dangerous to have.

Remember how compound interest can help your savings grow exponentially? Credit card companies can use the same principle of compounding, except with money you owe. Interest charges can build up quickly, especially for credit cards which typically have very high interest rates.

2. INTEREST

Say a credit card has a 15% interest rate. If you owe $100 but only pay back $10, the next month you would owe $103.50. Even though you paid back $10, the 15% interest rate on the remaining $90 you still owe comes out to be more than the amount you spent on the card in the first place. If you only paid $10 again the following month, you would now owe $107.50 because of the interest charges. When credit card charges are not paid back in full, over time you can end up owing far more than you originally borrowed.

How Interest Rates Work

3. FEES AND PENALTIES

Some credit cards may charge a penalty fee if your payment is late or only partially paid off. Many debit cards have restrictions on which ATM machines you can use for free, charging you a fee for using a machine that is not part of their network. Say you are charged a $3 ATM fee each time you take out money. If you take out cash twice a month, this adds up to $72 in fees each year!

4. OVERDRAFT CHARGES

If you try to withdraw more money than you have in your account, you'll be charged an *overdraft fee*. For example, if you only have $2 left in your bank account, and you try to buy a $3 comic book, the bank could charge you a $35 overdraft fee. Suddenly your $3 purchase just cost you $38 dollars, yikes!

The convenience of using cards can be a plus, but if you don't have the cash to pay the balance right now, it may not be worth spending the money. It is critical to keep track of credit card and debit card spending and pay your bill in full each month to avoid paying high interest, fees, penalties, and charges. Using cards irresponsibly can have serious consequences for your long-term financial well-being and credit score.

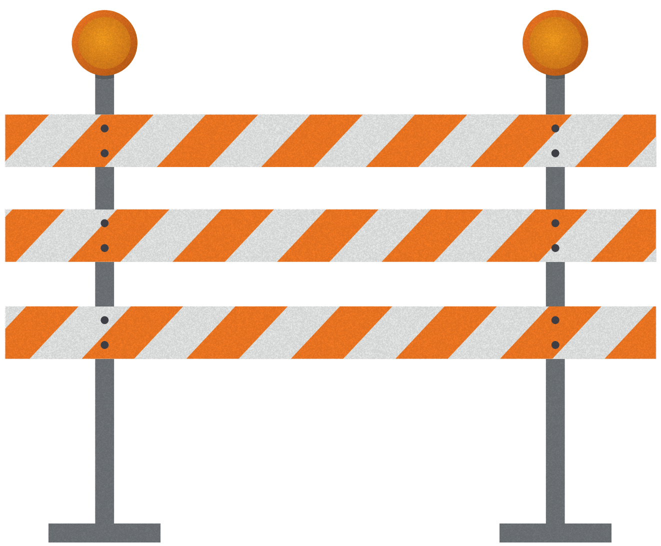


Table Topics:

Questions to ask parents, family members, or trusted adults to better understand credit

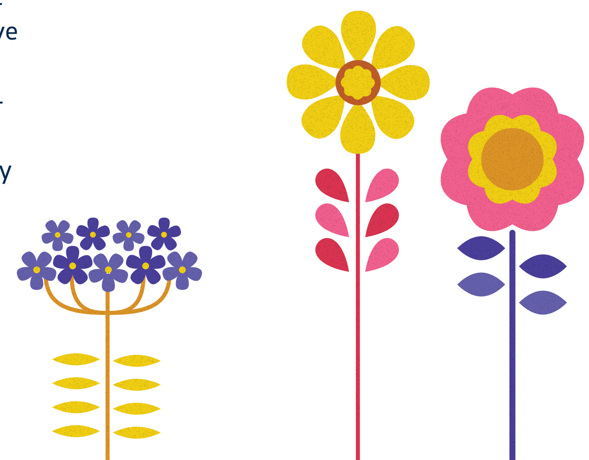
1. What qualities would you look for in someone asking to borrow something valuable from you?
2. What are three things you do to be responsible with your credit cards?
3. Who taught you how to use a credit card?
4. How do you remind yourself to pay bills on time?

CHAPTER 5

Investing in Your Future

Growing your savings takes time and it doesn't happen overnight. It's like planting a new flower in your garden. It takes time to grow and needs your help to water it, weed it, and nurture it. You're essentially making an investment in that flower: *you're investing your time and energy in caring for the flower today in the hopes that it will reward you in the future.*

"Financial investing" is really no different. It means caring for your money by putting it in an "investment vehicle" and giving it time to grow. Investing may seem scary at first. But think about all of the skills you've already acquired, like learning a language, mastering a video game, playing a sport—all of these activities represent instances when you've had to invest time and energy before realizing the benefits.



But how is your savings account different from investing? Let's break it down.

SAVING IN A SAVINGS ACCOUNT
Depositing your money into a bank account in exchange for an interest rate.

Remember that term compound interest we discussed in Chapter 3? You will earn a slow but steady return as long as your money remains in the account. The return is usually about 2% each year, which compounds over time. If you need to spend the money, you can easily withdraw it from the account, but you will no longer be earning interest on that amount.

INVESTING
The act of committing money to an investment product (e.g., buying a *stock* or *bond* – you'll learn about these terms in a bit) with the potential opportunity to earn a return over time.

There is a risk with investing. Your initial investment may be worth more or less in the future, and you may not be able to access your money immediately like you can if your money is in a savings account. However, sometimes with greater risk comes greater reward. The returns you can earn with these types of investment vehicles may be higher than the returns you can earn on a savings account, which is why many investors look for these types of opportunities.

Remember, saving comes before investing! It's important to make sure you have money for your everyday essentials before ***you consider investing money in the financial markets***.

DID YOU KNOW??

In stock market lingo, a bear market describes a situation when stock prices are falling, and a bull market describes a situation when stock prices are rising. Some believe these expressions came from the idea that a bull attacks with its horns up and a bear attacks with its claws down.

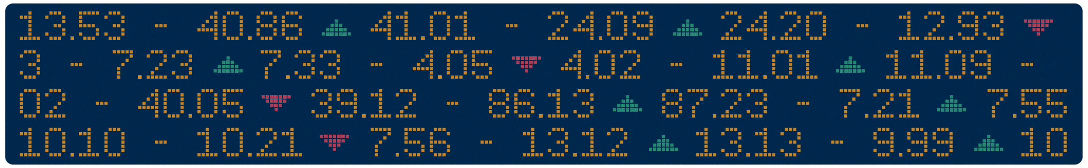
The Stock Market

"The market is down. The market is up." No doubt you've heard these phrases before, but what do they actually mean? What exactly is "the market?"

A financial "market" consists of people buying and selling (also referred to as "trading") certain assets or products. There are many different types of markets: a wheat market, a car market, a market for commodities like gold, and yes, you guessed it...a stock market.

The stock market is where stocks, also known as shares, are bought and sold. When you are buying a company stock, you become a shareholder or a partial owner in that company. If the company does well, so will your investment; but if it does poorly, it will be reflected in your returns and could negatively affect your investment. When it comes to the stock market, investors look for clues and patterns to help uncover opportunities to increase their return on investment, like buying a stock at a lower price and potentially selling it at a higher price.

Economic trends and human behavior can have a big influence on the market. For example, when the economy is doing well, meaning people have jobs and are making money (and therefore spending money), the stock market will typically go up since companies will also be making more money. But when the economy slows down, and people are losing jobs and cutting back on spending, the market can go down. During these market slowdowns, investors may focus on investing in companies that make essential items that people will still spend money on regardless of economic conditions, like basic food, toilet paper, and soap, rather than companies that make luxury goods.



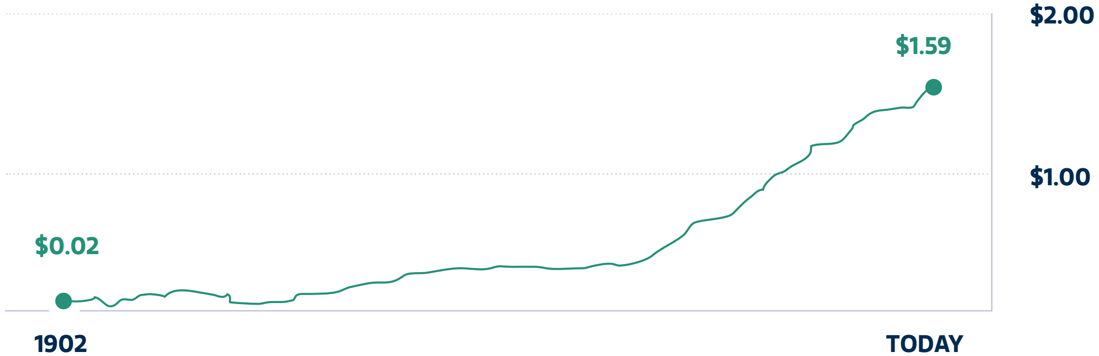
Why Invest?

When putting money away for your future, it's important to think about *inflation*: how things in our everyday lives will cost more over time. Has a grandparent ever told you about how little something used to cost when they were a kid? This is because inflation causes prices to rise every year.

In 1908, a Hershey bar cost 2¢. Sounds great, right? But in 1908, people earned less money than they do today. If you were to buy that same chocolate bar now, you'd have to pay $1.59 for it, but the amount you earn is more as well. So while that chocolate bar would cost you less, you'd also earn less money to pay for it.[1]

As the cost of living gets more expensive, it's important to plan ahead. This is where *investing* comes in. When your savings are deposited in a bank account, the amount grows slowly. The value of your money may not increase as fast as the price of goods is rising. For example, if you have $159 dollars in your bank account today, you can purchase 100 Hershey bars. If your savings account grows by 2% each year, but the cost of a Hershey bar increases by 5%, you will only be able to afford 97 Hershey bars next year.

Hershey Chocolate Bar Cost (Inflation)



[1] LaMonica, Paul. November 2016. Hershey bar cost 2 cents when Cubs won 1908 World Series. CNNMoney.

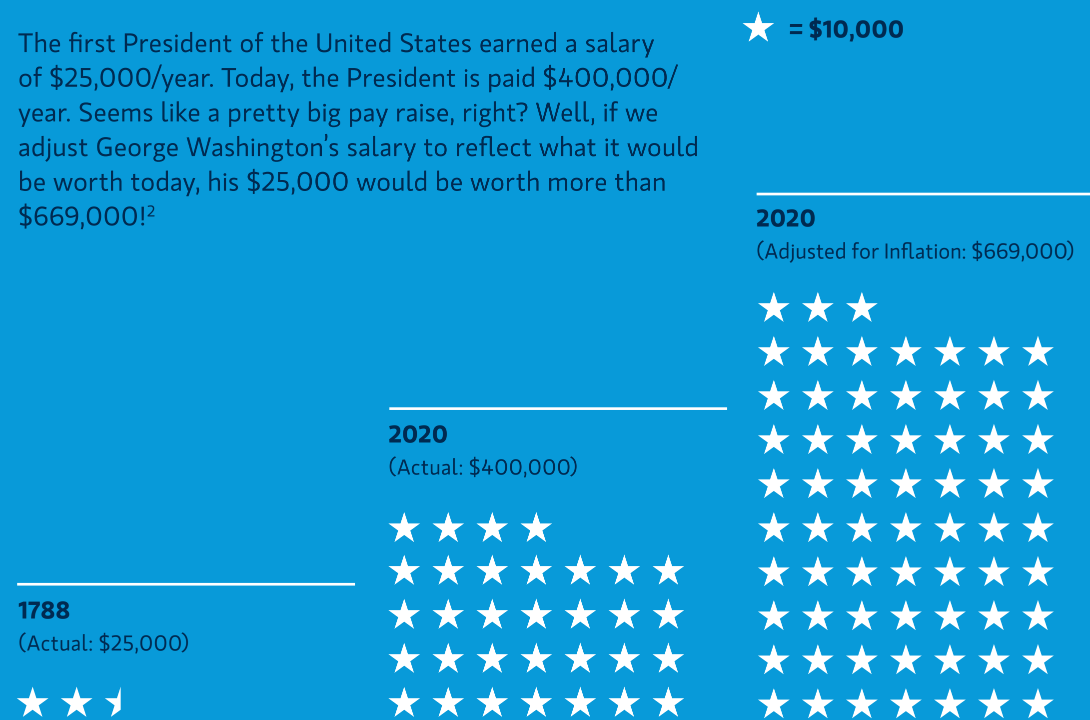
When you invest your money, however, you may get higher returns. Not only could you outpace inflation, but our friend *compound interest* could be powerful too. For example, if you set aside $100 every month from the age of 21 with a 9% interest rate, you will have over $1 million dollars in your account by the time you're 70. That's the magic of compound interest!

Remember, the potential for higher returns comes at a price. Investing may help your money grow faster, but you are also more vulnerable to losing your money.

Investing starts by understanding what your goal is and how long it may take you to reach your goal.

Presidential Salary

The first President of the United States earned a salary of $25,000/year. Today, the President is paid $400,000/year. Seems like a pretty big pay raise, right? Well, if we adjust George Washington's salary to reflect what it would be worth today, his $25,000 would be worth more than $669,000![2]



[2] Elkins, Kathleen. February 2018. Here's the last time the president of the United States got a raise. CNBC.

Types of Investments

Investments are grouped into many different categories. The three most common categories that you hear about are:

1 CASH

Generally, the money you hold in cash (like in a savings account) is the most easily available money in case you had to suddenly pay for something. It may grow by earning interest, but the interest rate is often on the low end. Any money you have immediate access to is referred to as "liquid." Think of liquid being something that easily moves from place to place! On the flip side, any money that you don't have immediate access to is referred to as "illiquid."

2 STOCKS

When you buy a stock, you are buying a piece of a company (also known as a "share"). Buying stock makes you a *shareholder*. The value of your share is determined by the value of the company. When a company is making money, your stock will also be making money! But there is also a risk that the company may not do well which can cause your stock to decrease in value.

Some stocks may have a benefit called a *dividend*. A dividend is a payout from a company to its shareholders as a way to reward investors by sharing some of its profits. Sharing is caring, and dividends can be a nice bonus for investors when the company that they are a part-owner of is doing well.

The value of a stock goes up and down throughout the course of the day and can fluctuate significantly over months or years depending on how the company is performing. When investing in a stock, you do not always have a clear picture of the amount of money you will make (or may lose).

3 BONDS

A bond is essentially an IOU: it allows you to lend money to companies or governments for a certain amount of time. In return, those companies will pay you a fee (called "interest payments") until they give back the amount of money they borrowed from you. When investing in bonds you have a clearer picture of the amount of money you will make, or the "fixed" return.

Say you invest in a $100 bond, and the company promises to pay you back in five years. In the meantime, the company will pay you a fee in exchange for your loan. Interest payments are usually made semi-annually (twice a year). As an example, if you received a 5% interest payment on your $100 bond investment, you would earn an extra $2.50 twice a year or $5 a year. After five years, you will have earned $25 total in interest payments and receive your original $100 investment back.

HOMEWORK HINT:

Track a Stock!

1. Think about some of your favorite companies and ask a parent or family member to help you look up the stock price online. Every public company has a "ticker" symbol or a name for the stock, allowing you to watch the stock go up and down over time.
2. Look back over the past month, the past year, or the past five years and see how the stock has performed. This will give you a sense of how much the market can fluctuate over time!
3. Now imagine you spent $100 on that stock today. How many shares could you purchase? Check the ticker every day for two weeks and write down the price. Watch how the stock price changes and how much your $100 investment is worth each day. You can also investigate how much your $100 would be worth if you had bought the stock a year ago.
4. If something interesting happens with the company or there is a big story in the news, check to see if the stock price changes. For example, when Walt Disney launched its Disney+ streaming service, the stock price jumped 4.4% when more than 10 million people signed up within the first day![3]

[3] Strauss, Daniel. November 2019. Disney shares spike after company announces Disney Plus surpassed 10 million sign-ups since launch. Business Insider.

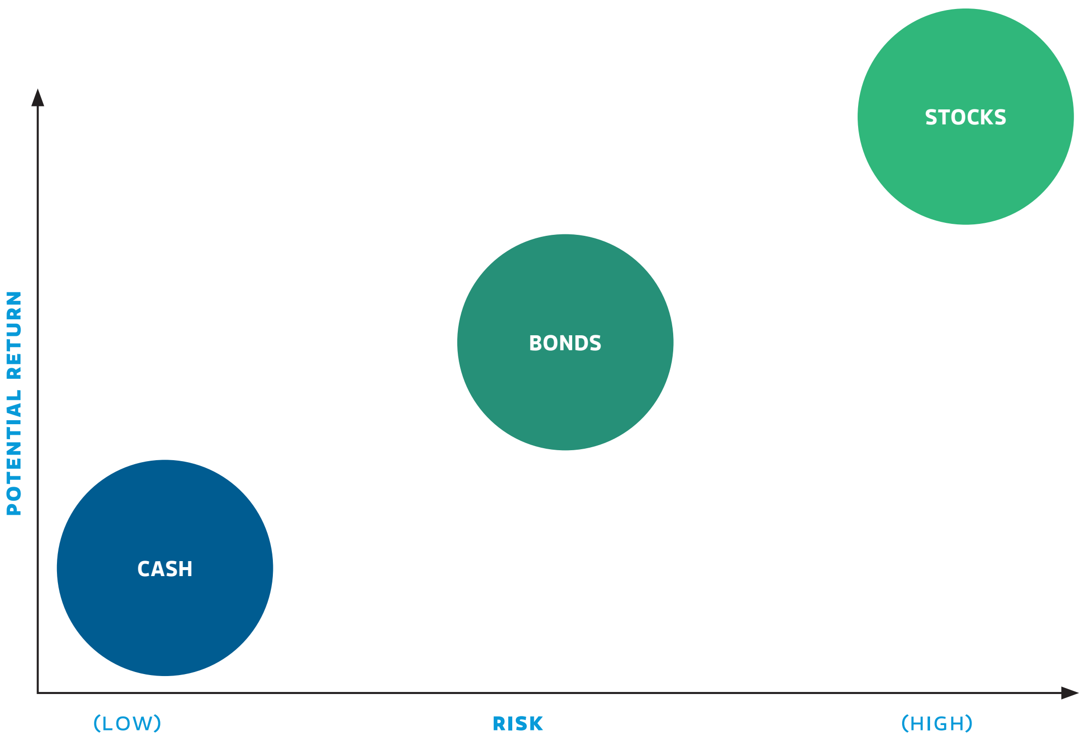
The Rules of the Game

Return Comes With Risk

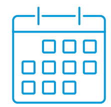
Good investment decisions require a plan. However, like any journey, there is always the risk that the trip may not turn out exactly as planned.

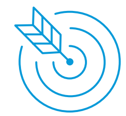
The balance of risk and reward is at the core of every investment decision—some investments offer higher expected returns but often come with higher risk, while lower risk investments often come with lower expected returns. Different investments have different *risk-return profiles*. For example, stocks can provide higher returns to investors, but these investments are also riskier than bonds. Not all investments within the same category will have the same level of risk either. For example, stocks of large, established companies will have a different risk-return profile than stocks of smaller start-ups or new technology companies that haven't been around as long.

Before investing your money, you will first have to figure out what level of risk you are comfortable taking in order to understand what types of investments are appropriate for you.



There are many questions investors should ask themselves when considering making investments, including:

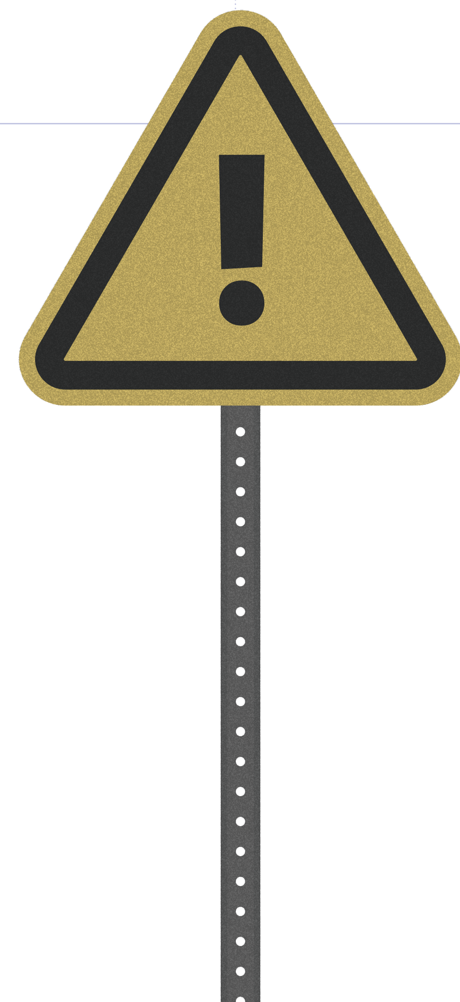
1. 
How long can I keep this money invested before I plan to use it?

2. 
What are my goals for using this money?

3. 
Am I willing to risk losing money in order to seek a bigger reward?

4. 
How much money can I afford to lose?

Carefully thinking through different scenarios and outcomes can help you invest your money with the aim to earn more money at the level of risk that you are comfortable with and that is appropriate for your goals.



Variety Is Key

You probably know that having all your eggs in one basket is never a good thing; you risk losing everything if something happens. In finance, one of the best strategies for avoiding this scenario is called *diversification*. Diversification is the process of spreading your investments across multiple asset classes to manage risk. An *asset class* refers to a particular type of investment or category of securities such as cash, stocks and bonds. This way, if you have some investments that are more risky or perform poorly, you can balance them out with investments that are less risky or perform well.

As stocks are typically considered riskier than bonds, diversification can help manage this risk by including lower-risk investments alongside investments with higher risk. If stocks are performing poorly, your bond investments could help limit the amount of money you lose.

Time is on Your Side

Typically, the longer you are willing to keep your money invested, the more risk you can take. This is because you won't need to access your money for a while and can afford to wait and ride out the typical ups and downs of the markets. On the other hand, if you know you're going to need your money soon for a big purchase or retirement, you might want to reduce your level of risk.

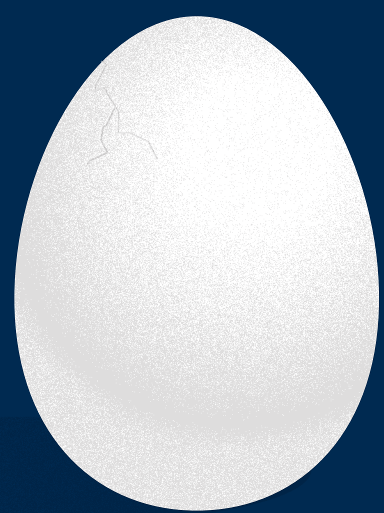
Professionals are Here to Help

Investing can be complicated. With so many options and so much activity in the market every day, there are professionals, like Financial Advisors, who help people understand what investment options work best for their financial goals and risk profile.

Don't forget about taxes! Money earned as investment returns is also considered income, just like money you earn from a job. Therefore, you also need to pay taxes on your investment income.

DID YOU KNOW??

The expression “‘Don’t put all your eggs in one basket” was first used in the novel Don Quixote, written by Miguel Cervantes in 1605.



What’s Your Risk Personality?

1 When deciding on a new movie to see in the theater:

a. You’re game for whatever. Surprise me!

b. You suggest seeing one with your favorite actor as the main character.

c. You only agree to pay to see a movie once you’ve researched it thoroughly, making sure it received good reviews.

2 You are looking to buy a new book for the summer. At the book store you focus on:

a. The table of wrapped “mystery” books which describe the type of reader who might like this book but you don’t know what it is until you buy it.

b. The table of noteworthy and current bestsellers.

c. Finding a particular book that multiple friends recommended to you as something you would definitely enjoy.

3 You have $5 to spend in the corner shop, you buy:

a. Five turns on the claw machine, which no one has ever won.

b. A pack of the new flavored M&Ms that you haven’t tried yet.

c. A sports drink to save for tomorrow’s soccer practice.

4 As you’re leaving for school, someone mentions that it might rain later, but maybe not. You:

a. Ignore it. It never rains on Wednesdays when you walk home from school.

b. Grab your raincoat, just in case.

c. Change your shoes to something that can get wet, put on your raincoat and pack an umbrella in your backpack.

5 At a restaurant there is a “Chef Surprise Special” on the menu that the waiter highly recommends everyone try. You:

a. Go for it, no questions asked!

b. Tell the waiter that you are interested in trying the Surprise Special but only if there are no ingredients you dislike, which you list for him.

c. Order your go-to item on the menu, which you get every single time because you know you like it.

Mostly As:

You are definitely a risk taker who doesn’t shy away from taking chances. Although you may love the thrill of spontaneous choices and surprise outcomes in everyday life, money decisions will require much more careful consideration. Be sure to think through each scenario and take into account the “what ifs” before committing your hard earned savings.

Mostly Bs:

You have a moderate tolerance for risk. You are comfortable taking chances on new things that are still within reason and close enough to your comfort zone. When it comes to money, this balance can help you assess the pros and cons of different strategies and allow you to think through what is the best decision for you, right now.

Mostly Cs:

You are most comfortable with certainty and avoid taking unnecessary risk. Remember that with money, risk and reward go hand in hand. It is smart to limit your risk when it comes to money you need in the near future, but for long term savings you can consider taking slightly more risk in order to achieve your goals.

Investing with Impact

Making "a return" is not just about earning more money. There are other positive returns you can get from investing your money in things you care about. By aligning investments with personal values, you can put your money to work towards a brighter future, growing your money while also making an impact. This is known as *investing with impact*.

Start by asking yourself what issues are most important to you. For example, maybe you feel very strongly about reducing plastic waste. You could invest in companies that create sustainable water bottles; you could choose to avoid investing in companies that create single-use plastic products; or you could invest in companies that donate money to non-profit organizations focused on eliminating plastic waste. The list goes on.

Whether you are passionate about environmental issues, supporting women, promoting diversity, alleviating poverty or countless other worthy causes, investing your money in companies that are aligned with your values can help you make money while also making the change you wish to see in the world.

Table Topics:

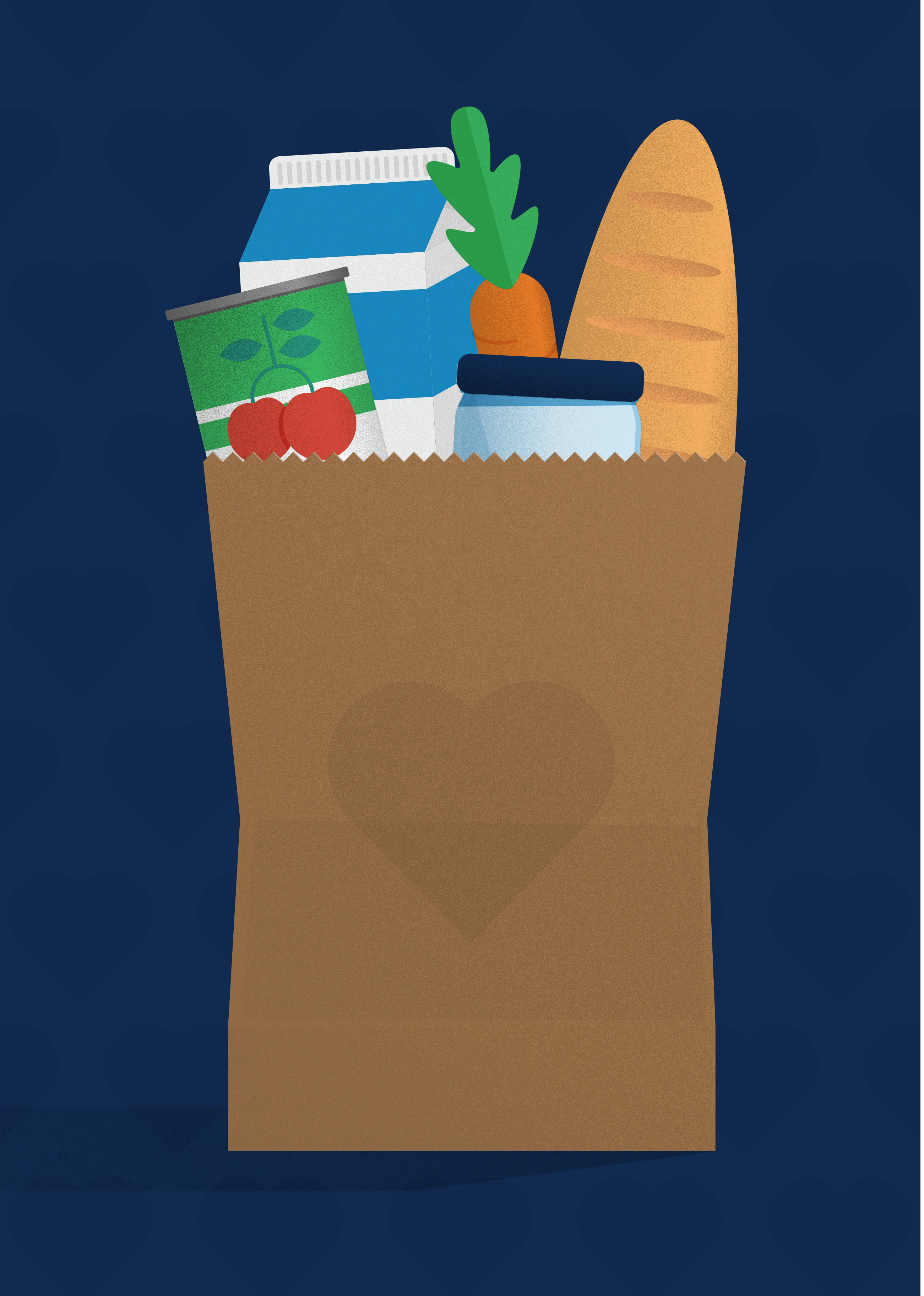
Questions to ask parents, family members, or trusted adults to better understand investing

1. How did you first learn how to invest?

2. What are some goals that you are hoping to reach by investing?

3. When was a time you took a risk that paid off?

4. When was a time you took a risk that didn't work out and what did you learn from that experience?

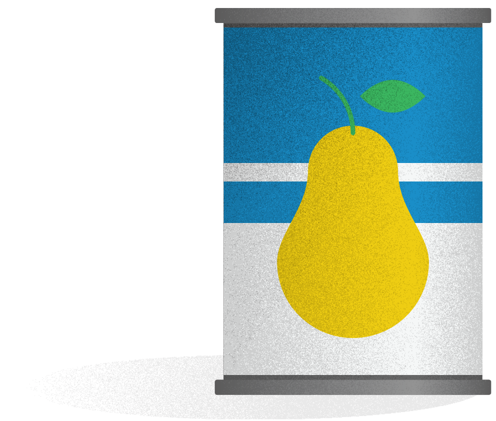


CHAPTER 6

Giving Back

Philanthropy is the act of giving back, and it doesn't always require money to do so. Take a look around your neighborhood, your community, your school, and your world and think about ways you can help improve the daily lives of others. Anyone can make small changes that can help make a big difference.

What mark do you want to leave on the world? What are the values that drive you? What matters most? Whether it's your time, talent, or treasure, giving back can be one of life's greatest rewards.



Ways to Give: Time, Talent, Treasure

There are countless ways to use your resources—money, time, networks, experience, and perhaps even social influence—to effect social change.

TIME & TALENT

One of the ways to help support causes and organizations you are passionate about is by volunteering your time and talent. You can offer specific skills you may have that would be useful, or simply give your time to help others finish a task. When you donate a dollar to charity, you may not always see how that dollar is put to work; however, through volunteering, you can witness your impact first hand!

TREASURE

One of the best things about making smart financial choices is that it offers you the ability to give something back to the world to make it a better place. You can give money directly to an organization or cause you care about, raise money with a group from school through efforts like a bake sale or a car wash, or help a community group raise money by doing a charity walk where you ask friends and family to contribute donations. Giving away your treasure is more than just donating money. You can also help others in need by donating clothes that you no longer wear, or toys and household items you no longer use.

> **DID YOU KNOW??**
> The act of giving to others is directly correlated to your life satisfaction. The more people give, the happier they are.[1]

[1]. IUPUI Women's Philanthropy Institute. Women Give 2017 Report.

No matter how you choose to ***share your time***, ***talent***, ***and treasure***, ***it will help you grow*** into a happier, stronger, better person, too.

Tips for Being an Excellent Volunteer

BRING YOUR PASSION
Volunteer for causes or organizations you really care about. The more enthusiasm and energy you put in, the more you get out.

BE PROACTIVE
Show up ready to work and get the job done. Great volunteers are always looking for new ways to be helpful.

WORK TOGETHER
Be collaborative with others to multiply your efforts.

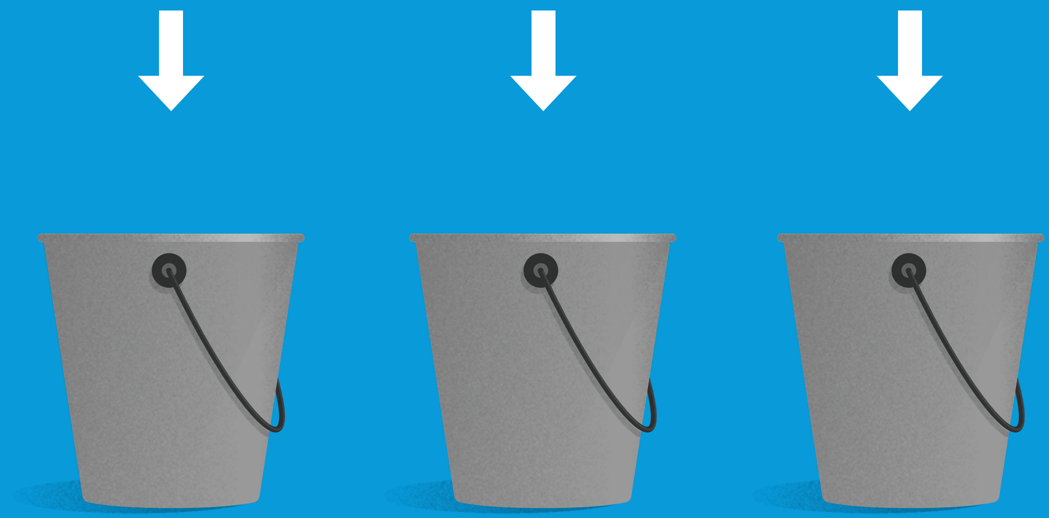
GIVE WITHOUT EXPECTATIONS
Focus on what you can bring to an organization or cause rather than what you get back in return.

MAKE EVERY MOMENT COUNT
It's not about spending time; it's about making a difference.

Buckets of Giving

When deciding what causes you would like to get more involved with, it can be useful to think about where you give back in three buckets:

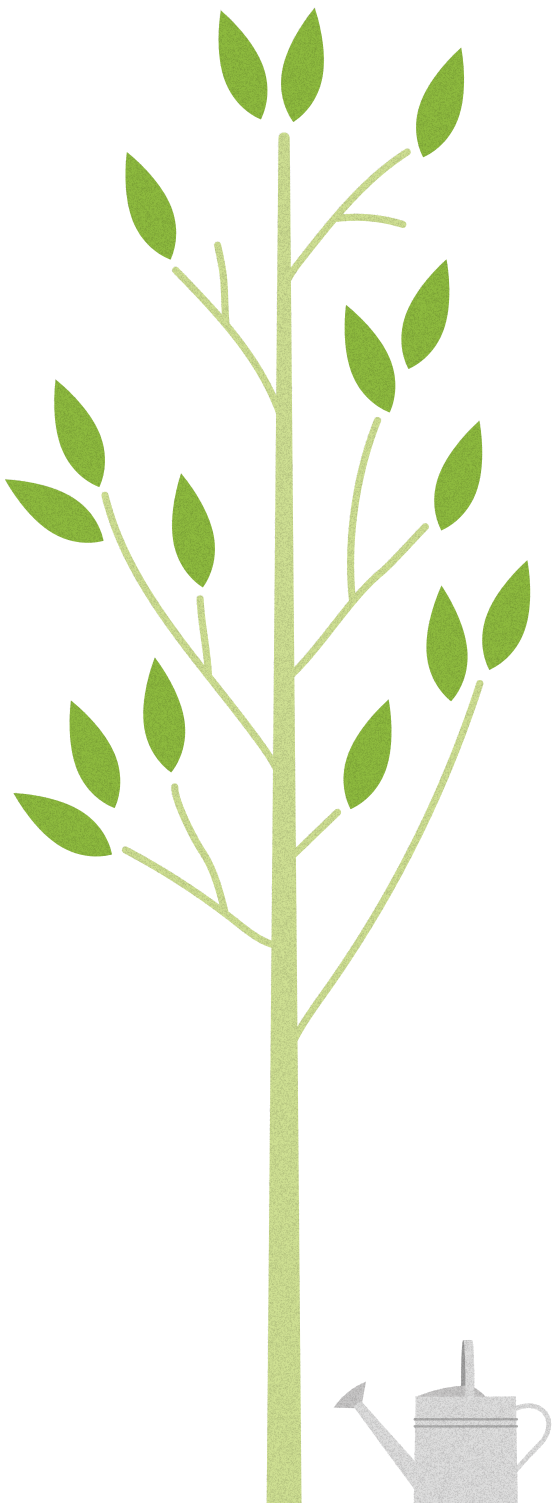
CORE | **COMMUNITY** | **RELIEF**



CORE: The organizations, causes or themes that are the most meaningful to you and where your primary passions lie.

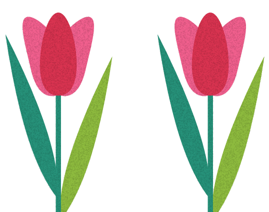
COMMUNITY: The causes you want to support because of where you live and the networks you're a part of (for example, your school, the local art museum, a friend's nonprofit, or a religious organization).

RELIEF: The causes you don't see coming and can't plan for in advance (for example, disaster relief or fundraising events).



Why You Give

No matter how you give, the "why" is the foundation of your philanthropic journey. There are many worthy causes, but you will be most impactful when you focus on the issues you care most passionately about. To help clarify the "why" of your giving, try crafting a philanthropic mission statement.



Creating Your Philanthropic Mission Statement

Step 1:

Answer the following questions to start exploring what is most important to you and why.

FAMILY BACKGROUND AND VALUES

What are some of the lessons you have learned from friends and family about money and giving back?

What people in your community do you think need the most assistance?

How do you, your family, or your community try to help?

How does doing something nice for others make you feel?

PERSONAL DEVELOPMENT

What are some of your unique talents, gifts, and skills?

What schools, institutions, or relationships have had a significant impact on you?

What opportunities do you feel most grateful for?

Have you had certain challenges or setbacks that have influenced your perspective on things?

Are there any particular books, experiences, or current events that have inspired you to give back?

YOUR APPROACH

What charitable areas are you most passionate about (for example, education, healthcare, poverty alleviation, environmental issues)?

Do you want to focus on a particular geography?

YOUR LEGACY

Describe the causes that you care most about. What are your reasons for supporting these organizations?

Imagine your 80th birthday celebration. What would you like a dear friend or family member to say about you in his or her toast?

Step 2:

Review your responses to the questions. Do you notice any recurring patterns? Are there any themes that stand out? ***Circle or highlight these patterns and themes****.*

Step 3:

Use your responses to help craft a single-sentence mission statement that highlights the cause(s) you want to focus on and how you hope to use your resources to make an impact.

HERE ARE SOME EXAMPLES TO PROVIDE INSPIRATION

"My mission is to reduce the number of homeless dogs and cats in my city by advocating for rescue animal adoption and supporting local shelters and adoption centers."

"My mission is to improve the lives of disadvantaged children by creating opportunities through mentoring and education."

"My mission is to make a difference in the health and well-being of others and to stop childhood obesity by sharing my personal experiences and knowledge about living with diabetes."

MY PHILANTHROPIC MISSION STATEMENT

Step 4:

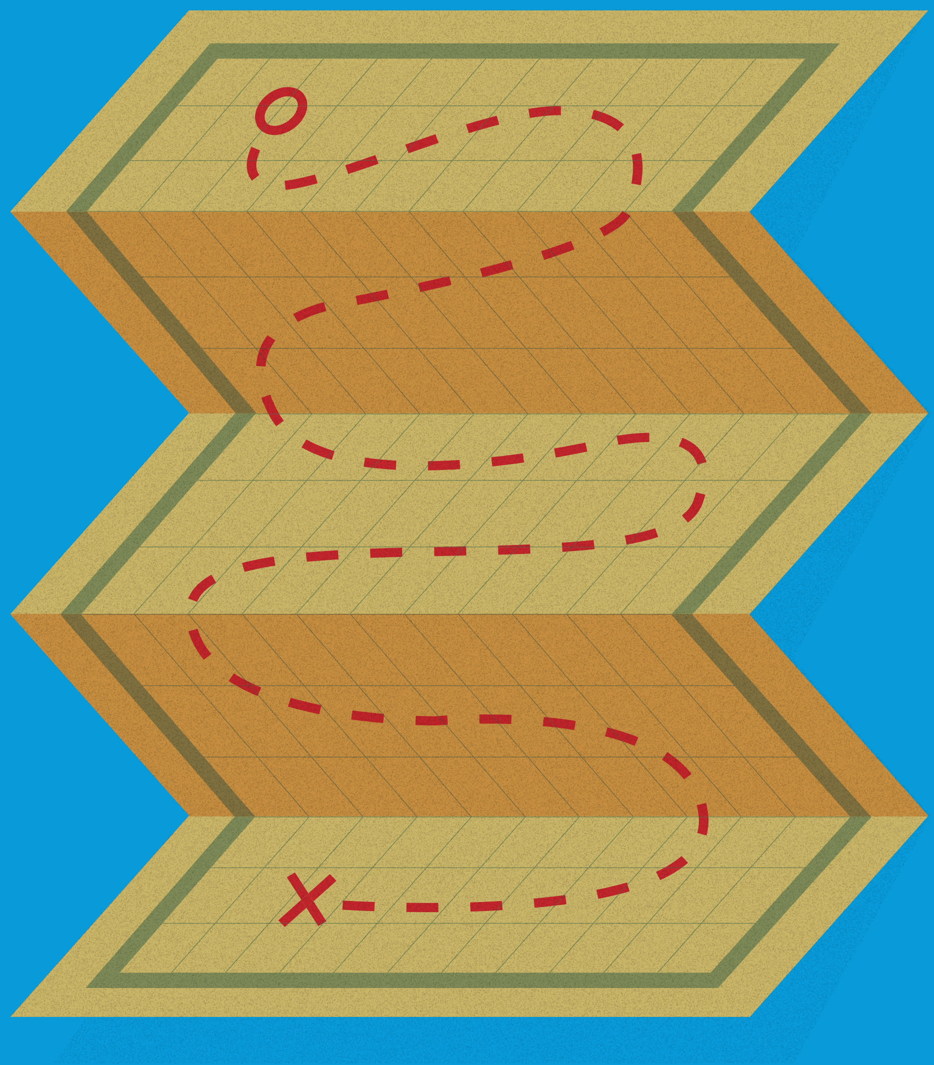
Now that you have your own mission statement, use it as a reference point when considering how to best allocate your time, talent, or treasure. With this statement as your guide, you can more confidently identify areas of involvement that you are most passionate about and ways you'd like to use your strengths to make a difference.

Anyone can begin their journey by just taking action. *You don't have to do it alone*: there are likely already people or groups who are trying to help address issues you care about. You can start by learning more about their work and how you can help. There are countless ways your involvement can be valuable. Whether you are using your wallet, your hands, your ideas, or your voice, *you* can make a difference.

Your Roadmap for Giving

Use this brainstorming exercise to map out how you are going to take action.

The following questions can help prompt you to think about how you are going to tackle an issue you feel passionate about, what steps you can take next, and how you can create a ripple effect of giving with the people around you.



Point A:

DETERMINE WHERE YOU ARE STARTING FROM

What causes are most important to you right now?

What are some of the issues facing your community?

Are you looking to help out with a local issue (at your school or in your community), something the country is facing, or a global challenge?

Has something recently happened, or did you witness something, that inspired a desire to get involved with a particular issue? If so, what was it?

Have you created a philanthropic mission statement before? If so, what is it?

MY POINT A:

One key issue I am concerned about is…

The “who or what” that is being most affected by this issue is…

I feel passionate about this because…

Point B:

DETERMINE WHERE YOU WANT TO END UP AND THE GOALS YOU HOPE TO ACHIEVE

What are some of the future consequences if this issue is not addressed?

What do you believe are some ways people could improve or fix this issue?

Do you know of local or large scale organizations that are helping address the issue you are most concerned about?

MY POINT B:

We could help improve or solve this issue if there was more…

A small change or improvement I'd like to see happen is…

A big change I'd like to see happen is…

The Pathway from A to B

DETERMINE YOUR NEXT STEPS

How did you first learn about this issue?

Do you believe the issue is getting enough attention? How are other people learning about it?

If there are existing organizations that focus on the issue, do you know in what ways they are actively trying to help?

Do you know any friends, family members, or people in your local community who are currently involved with trying to help create solutions for this issue?

What skills do you have that you could offer in order to help?

MY PATHWAY FROM A TO B:

I want to help. I can start by learning more about...

Some things I am good at that could be helpful are...

I can reach out to these people or groups to see what they are doing and how I may be able to get involved...

I can encourage others to also get involved by...

Table Topics:

Questions to ask parents, family members, or trusted adults to better understand giving back

1. What are some of the issues that your community faced when you were my age?
2. What is one of the issues you were concerned about that you have seen drastically improved or solved because of philanthropic efforts?
3. What are some of the ways you give your time, talent, and treasure?
4. How does giving back make you feel?
5. Would you like to create a philanthropic mission statement with me?
6. Are there ways we could give back together, whether it's related to family, school, or community initiatives?

One of the greatest tools we have when it comes to money is *knowledge*. By making smarter financial decisions today, you can build a solid foundation for your future and prepare for the important life milestones ahead.

We hope ***Common Cents: A Kid's Guide to Money*** provides you with a deeper understanding of money and inspires honest conversations about the meaning of money in your life, so you can explore new horizons with confidence.

Glossary

A

Asset Class — A group of investments that have similar characteristics and behave similarly in the marketplace such as cash, stocks, and bonds.

B

Bank — A financial institution that can help safeguard your savings, allowing you access to your money, while paying you interest to keep it there. Banks then lend out money to customers making larger purchases such as buying a home or starting a business, with the agreement that the customer will pay the borrowed amount back plus an additional percentage in interest.

Bond — Essentially an IOU allowing you to lend money to companies or governments for a certain amount of time. In return, those companies will pay you extra money (known as interest payments) until they pay back the original amount of money they borrowed from you. When investing in bonds, you have a clear understanding of the amount of money you will make, also known as a "fixed" return.

Budget — An essential tool used to help you monitor spending and saving by showing how much money you have and where it is being used.

C

Cash — Money, in the form of bills and coins, to pay for goods and services.

Cash Flow — The movement of your money. It can be calculated by subtracting the money going out (i.e. spending and expenses) from the money you have coming in (i.e. earnings, allowance, gifts). If the resulting number is positive, it represents a positive cash flow, meaning you are making money or have money left over; if you have a negative cash flow it means you are losing money.

Compound Interest — Interest earned on your principal that builds over time, allowing money to grow exponentially.

Credit — Money that is not yours but that you can use and then pay back. Another word for this is a loan, or something that is borrowed with a promise to be paid back at a later, specified date. When you use credit, you are required to pay back the amount, and possibly extra, later on.

Credit Card — Card used to purchase goods and services, for which you then receive a bill of charges at the end of the month. You have the option to pay back the full amount or a portion of what you spent, but if you don't pay the full amount on time, you may be charged additional interest and fees.

Credit Score — A number that illustrates your track record or credit history and affects affect how people and businesses view you when it comes to borrowing money. A good credit score helps position you as a responsible customer, whereas someone with a low credit score may be considered a "high risk" borrower.

D

Debit Card — A card used to purchase goods and services that is directly linked to your bank account, allowing you to spend your own money without having to carry cash with you. It also allows you to take out cash from your account by using an ATM machine.

Debt — Money that is owed. One common type of debt is credit card debt. Credit cards make it easy to borrow more money that you can actually pay back, which is why it is important to be vigilant about paying bills on time to avoid racking up debt on a credit card.

Disposable Income — The amount of money left over after taxes that is available to pay for essential things like housing, groceries, medical care, and bills, as well as luxuries like new clothes, a cell phone, trips to the movie theater, or going out for pizza.

	Diversification	The process of spreading investments across multiple asset classes (or categories) to manage risk. This way, investments that are more risky or perform poorly can be balanced out with investments that are less risky or perform well.
	Dividend	A payout from a company to its shareholders; it's a way for the company to reward investors by giving some of its profits to all the people who bought a piece of the company. Not all stocks pay dividends.
E	**Earnings**	The money you receive for selling your services or goods.
F	**Fixed Costs**	Expenses you have that you cannot do without — they may include lunch money, phone bill, bus fare, etc. Most of the time, the amount is consistent month to month, but could change.
	Flex Costs (also known as variable costs)	Expenses that you typically pay but could do without; they may be extras or non-essentials that you can cut back on if necessary.
H	**Hourly Wage**	The amount of money you are paid per hour for doing a job.
I	**Immediate Term Savings**	Money you choose to keep on hand (ideally in liquid form) to be used soon.
	Income	New money received or earned.
	Inflation	The increase in the cost of living over time, representing how the prices for goods and services "inflate" as each year passes.

	Interest	An additional percentage of money added to the original amount, either as a payment or charge.
	Investing	The act of committing money to an investment product (e.g., a stock or bond) with the potential opportunity to earn a return over time. There is a risk your money may lose value and you may not be able to access your money immediately. However, sometimes with greater risk comes greater rewards.
	Investing with Impact	The use of an investment strategy as a tool for supporting positive change in the world by aligning investments with personal values. By putting money to work in investments that have a social or environmental benefit, you can potentially grow your money while also making an impact.
L	**Loan**	Something that is borrowed with a promise to be paid back at a later time.
	Long-Term Savings	Money you put away at the bank or invest in the market for your future.
N	**Needs**	Items or services that are a necessity or are mandatory, you require them.
O	**Overdraft Fee**	An amount of money you are charged for withdrawing more money than you have in your account.
P	**Philanthropy**	The act of giving back for the benefit of others.

	Principal	The original amount of money, that then earns interest.
R	**Risk-Return Profile**	An assessment of an investment's risk as well as its potential return. Generally, higher risk investments, such as stocks, offer greater potential returns, while lower risk investments, like bonds, offer lower potential returns.
S	**Salary**	The amount of money you are paid over the course of a year for doing a job.
	Saving	The act of putting money away in order to reach financial goals, such as the ability to pay for items or experiences, pursue your dreams, or take care of yourself and the people around you.
	Savings Account	A bank account where you deposit your money in exchange for an interest rate. Your money is able to grow slowly while remaining accessible and safe.
	Shareholder	Someone who owns a share or shares of a company.
	Short-Term Savings	Money that you put away, typically at the bank, for expenses or goals you are saving for in the near future.
	Stock	A piece of a company (also known as a "share") that you can buy as an investor. The value of a stock is determined by the value of the company. The value can go up or down throughout the course of a day and it can fluctuate significantly over months or years depending on how the company is performing and the forces of supply and demand.

T	**Taxes**	Money taken by the government to help cover costs for public services such as local fire departments and fixing potholes in the road. Sales tax is a percentage added to the price tag of what an item costs. Income tax is a percentage of the money you earn as salary or wages that is given to the government.
W	**Wants**	Optional purchases that you can live without (even though you may really want them) and can be considered luxuries.

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Investing in the market entails the risk of principal as well as market volatility. The value of all types of investments many increase or decrease over varying time periods.

Investing in stock securities involves volatility risk, market risk, business risk, and industry risk. The prices of stocks fluctuate. Volatility risk is the chance that the value of a stock will fall. Market risk is the chance that the prices of all stocks will fall due to conditions in the economic environment. Business risk is the chance that a specific company's stock will fall because of issues affecting it such as the way the company is managed. Industry risk is the chance that a set of factors particular to an industry group will adversely affect stock prices within the industry.

Companies paying dividends can reduce or cut payouts at any time.

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

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