# MONEY AS YOU GROW

## 20 THINGS KIDS NEED TO KNOW TO LIVE FINANCIALLY SMART LIVES

**What Is *Money As You Grow?***

Money as You Grow was recommended as an initiative from the President's Advisory Council on Financial Capability, chaired by John W. Rogers and vice-chaired by Amy Rosen.

The initiative, spearheaded by Beth Kobliner, chair of the Council's Money as You Grow working group, offers **20 essential, age-appropriate financial lessons—with corresponding activities—that kids need to know as they grow. Written in down-to-earth language for children and their families**, Money as You Grow will help equip kids with the knowledge they need to live fiscally fit lives. The lessons in Money as You Grow are based on more than a year of research, and drawn from dozens of standards, curricula, and academic studies.

Money as You Grow is an outgrowth of the Council's Youth Subcommittee, chaired by Amy Rosen with the following members:

- John Rogers, Chair, President's Advisory Council on Financial Capability, and Chairman, CEO, and Chief Investment Officer, Ariel Investments
- Amy Rosen, Vice Chair, President's Advisory Council on Financial Capability, Chair, Youth Subcommittee, and President and CEO, Network for Teaching Entrepreneurship (NFTE)
- Ted Beck, President and CEO, National Endowment for Financial Education (NEFE)
- John Bryant, Founder, Chairman, and CEO, Operation HOPE

- Samuel Jackson, Founder, Chairman, and CEO, Economic Empowerment Initiative, Inc. (EEI)
- Beth Kobliner, Personal Finance C
- Sherry Salway Black, Director, Partnership for Tribal Governance at the National Congress of American Indians

**The President's Advisory Council on Financial Capability (PACFC)** was created by Executive Order 13530, which was signed by President Barack Obama on January 29, 2010. Its charter is to advise the President on promoting and enhancing financial literacy and capability among the American people. While the President's Advisory Council on Financial Capability cannot by federal statute become operational, it is charged with providing financial capability policy recommendations for the nation to the President of the United States. One of the key objectives of the President's Advisory Council on Financial Capability is to find ways to improve the financial capability of young Americans.

The purpose of this website is to inspire families, community organizations, nonprofits, and businesses to embrace Money as You Grow as a tool to promote financial literacy. This website serves as a guide to learning about and using Money as You Grow. It is intended for reference only, and is not meant to endorse or promote specific initiatives.

***QUESTIONS? COMMENTS?***

***WANT TO GET INVOLVED?***

Email us: **info@moneyasyougrow.org**

## HOW CAN YOU USE *MONEY AS YOU GROW*?

**Families can use *Money as You Grow* to start a dialogue about money and teach kids important lessons about saving, making choices, and avoiding debt.** Put up a *Money as You Grow* poster on your refrigerator, try the activities in your everyday life, and check to see if your children know the milestones for their age groups.

**Community organizations** like libraries, schools, and religious groups can provide *Money as You Grow* to families.

**Nonprofits** geared toward kids, families, and financial literacy can share *Money as You Grow* with their members.

**Businesses** that reach young people and families can share *Money as You Grow* with employees, customers, and clients.

**Here is a list of milestones for different age ranges with a list of suggested activities for reaching those milestones.**

### 3-5 YEARS OLD

**1. You need money to buy things.**

- Identify coins and their value
- Discuss how you may value something that is free, such as playing with a friend.
- Identify items that cost money, such as ice cream, gas for the car, or clothes.

**2. You earn money by working.**

- Describe your job to your child.
- Walk through your neighborhood or town and point out people working, like the bus driver or the police officer.

- Explain that some people start their own businesses, like clothing stores or restaurants, and those people are called entrepreneurs.

- Encourage your child to think about how she could earn money by setting up a lemonade or cookie stand.

**3. You may have to wait before you can buy something you want.**

- When your child is standing in line for a turn on the swings, or looking forward to her favorite holiday, point out that sometimes we have to wait for things we want.

- Find three jars (or cans) and label one for saving, one for spending, and one for sharing.

- Suggest that your child put some of the money she gets into the saving jar, so she can buy a toy or treat when she has saved enough.

**4. There's a difference between things you want and things you need.**

- When you are out shopping, point out essentials such as food and clothing, and ask your child to describe items that she may want but are optional.

- Talk about how your family decides what to buy and what to pass up. Which is more important, buying cookies or fresh fruit? Soda or milk?

- Draw a circle and divide it into sections for food, rent or house payments, clothes, and "optional items," to show that there is a finite amount of money to spend.

## 6-10 YEARS OLD

### 5. You need to make choices about how to spend your money.

- Include your child in some of your small decisions. For example, at the grocery store, explain why you pick one item over another.
- Give your child two dollars and let her choose which fruit to buy.
- When shopping with your child, ask yourself aloud: Do I need this item? Can I borrow it? Would it cost less somewhere else?

### 6. It's good to shop around and compare prices before you buy.

- With your child, compare prices for a particular toy at various online or brick-and-mortar stores.
- Use coupons and discount cards, and show your child how much you are saving.
- Consider allowing her to keep part of the savings, if she helps clip or print out coupons.

### 7. It can be costly and dangerous to share information online.

- Know the websites your child visits.
- Decide which websites are appropriate, and block any inappropriate sites using parental control software.
- Make it a rule that your child never gives out any personal information—like her birthdate, address, phone number, or school—when on the computer.
- Don't allow her to buy anything online without your permission.

**8. Putting your money in a savings account will protect it and pay you interest.**

- Visit a nearby federally insured bank or credit union with your child.
- Ask about the interest rate on a savings account.
- Discuss with your child how money in savings accounts is protected by federal insurance. If the bank goes out of business, she will get her money back.
- Open a savings account for your child.

**11-13 Years Old**

**9. You should save at least a dime for every dollar you receive.**

- Encourage your child to always save 10% of the money he/she gets.
- Have your child set a goal to buy something he wants, and have him work toward that amount.
- To reinforce the savings habit, go to the bank two to three times a year with your child to deposit savings into his account, and look at how much bigger the balance is on each visit.
- Consider a "matching plan" for your child's savings: You put in 25 cents for every dollar he saves.

**10. Entering personal information online, like a bank or credit card number, is risky because someone could steal it.**

- Discuss the dangers of entering personal information online.
- Explain that thieves can use Social Security numbers or other personal information to open credit cards or create fake documents.

- Explain that “free” offers online, such as cell phone ringtones or games, are scams to get people to spend money without realizing it.

- Make it a rule that your child never answers emails from someone he doesn’t know and never clicks on pop-up ads.

- Go to **ftc.gov/idtheft** for tips on information security.

**11. The sooner you save, the faster your money can grow from compound interest.**

- Compound interest is when you earn interest on both the money you save and the interest you earn.

- Show your child the following: If he sets aside $100 every year starting at age 14, he’d have about $23,000 at age 65. However, if he begins saving at age 35 he’d have about $7,000 at age 65. Assume the account earns 5% every year.

- To compute compound interest, use the calculators at **investor.gov.**

- Discuss how much your child can save. What will he have to give up? Is it worth it?

**12. Using a credit card is like taking out a loan; if you don’t pay your bill in full every month, you’ll be charged interest and owe more than you originally spent.**

- Discuss why you should not use a credit card to buy something that you can’t afford to pay for with cash.

- Look at credit card offers online with your child, and compare the interest rates.

- Use the Credit Card Repayment Calculator at **federalreserve.gov** to see how long it could take to repay a $1,000 credit card debt by making the minimum monthly payments.

- Discuss how a credit card can be useful for making purchases online, or as a convenience.

### 14-18 YEARS OLD

**13. When comparing colleges, be sure to consider what each school would cost you.**

- Point out that college grads earn almost twice as much as people who did not go to college.
- Discuss how much you can contribute to your child's college tuition and expenses each year.
- Compare college costs, graduation rates, loan default rates, average monthly loan payments, and employment prospects by using the "College Scorecard" at **collegecost.ed.gov/scorecard**.
- See what schools cost by finding the "net price calculator" on their websites; know that most families don't pay the tuition sticker price.
- Use the Consumer Financial Protection Bureau's Paying for College Cost Comparison Worksheet at **consumerfinance.gov**.
- To estimate your financial aid, use the FAFSA4caster tool at **fafsa.ed.gov**.
- Go to **studentaid.ed.gov** to research additional loans, scholarships, and grants, and use the calculators to estimate your monthly loan payments.

**14. You should avoid using credit cards to buy things you can't afford to pay for with cash.**

- With your child, fill out the Income and Expenses budgeting worksheet available at **mymoney.gov**.

- Discuss why having a savings and spending plan in place could help him/her avoid using credit cards.
- Drive home this rule: When you use a credit card, aim to pay it back in full each month; otherwise, you could be charged high interest.
- Using the Credit Card Repayment Calculator at **federalreserve.gov**, see how long it could take to repay a $1,000 credit card debt by making the minimum monthly payments.

**15. Your first paycheck may seem smaller than expected since money is taken out for taxes.**

- Discuss the difference between gross pay (before taxes are taken out) and net pay(the amount you take home).
- Explain that the W-4 form, which you fill out when starting a job, determines the amount of taxes taken out of a paycheck.
- Explain that tax brackets vary depending on how much you earn. (In 2012, single people who earn $8,700 or less per year pay a tax rate of 10%, for example, and those who earn between $8,700 and $35,350 pay 15%.)
- Discuss what taxes pay for, including schools, road maintenance, and medical help for the elderly.
- Once your child has a steady job, help him set up an automatic savings program so that at least 10% of earnings goes directly into his savings account.

**16. A great place to save and invest money you earn is in a Roth IRA.**

- If your child has a job, encourage him to open a Roth IRA (Individual Retirement Account).

- Explain that a Roth IRA allows the interest you earn to grow tax-free for life.
- Experiment with different amounts of savings and interest rates. Use a compound interest calculator at **investor.gov.**
- Use the "Rule of 72" to estimate how many years it would take to double your money. If you invest in an account that earns 8% interest, you'll double your money in nine years (72 divided by 8 is 9).
- Explain to your child that once he starts a job, he may be offered a similar account at work called a 401(k). Some employers even provide matching contributions.

**18+ Years**

**17. You should use a credit card only if you can pay off the money owed in full each month.**

- Understand that when a parent cosigns, any late payments you make will also affect their credit history.
- Paying bills late can hurt your credit history and affect your chances of getting a job.
- Get free credit reports once a year at **annualcreditreport.com**.
- Look for a credit card with a low interest rate and no annual fee.
- There may be an emergency expense that you can't pay off immediately and need to charge. That's why it's important not to charge everyday items.
- To learn more about the credit card rules, go to **federalreserve.gov**.

**18. You need health insurance.**

- Comparison shop for insurance like you would for any other product.
- If your parents have health insurance, see if you can stay on their policy—with some exceptions, you are entitled to, by law, until you turn 26.
- Get more information about the health insurance available to you at **healthcare.gov.**
- Purchase renter's insurance if you lease an apartment, and auto insurance if you own, lease, or rent a car.

**19. It's important to save at least three months' worth of living expenses in case of an emergency.**

- Make a list of your expenses (rent, bills, food)to see how much you spend each month; this will help you estimate how much you'll need to save for three months' worth of expenses.
- Store the money in a safe place, like a federally insured bank or credit union.
- If you're able to, try saving six to nine months' worth of living expenses instead of only three.
- Don't stop once you've built your emergency fund; try to automate your savings so you stash away 10% of your earnings.

**20. When investing, consider the risks and the annual expenses.**

- Invest in an IRA or a 401(k) as soon as you have some income.

- Putting all your eggs in one basket can be a risky way to invest; consider a diverse mix of stocks, bonds, and cash.
- Compare mutual fund costs: An "annual expense ratio" of 1.5% instead of 0.5% on a $1,000 investment could cost you almost $2,000 over the course of 35 years.
- Ask about index funds, which tend to have low annual fees.
- Think about your goals. Attending college? Buying a home in 10 years? Purchasing a car in five? Define two financial goals for the long-term future, and make a plan to achieve them.
- For more information go to **investor.gov**.

## WHO'S USING *MONEY AS YOU GROW*?

American Library Association, Association for Library Service to Children (See their Money as You Grow book list), Public Library Association, Smart Investing @ Your Library

American Savings Education Council

American School Counselor Association

The Center for Financial and Economic Education at Westchester Community College

The Center for Financial Literacy at Champlain College

Federal Reserve Bank of Chicago

The Financial Services Roundtable

FINRA Investor Education Foundation

Fort McCoy Army Community Service

Indiana Investment Watch

The Institute for Student Empowerment

Junior Achievement USA

National Association of Elementary School Principals

The National Association of Personal Financial Advisors

National Endowment for Financial Education

National Parent Teacher Association

USDA National Institute of Food and Agriculture, Division of Family and Consumer Sciences

Women's Institute for a Secure Retirement

World of Money

## SOURCES

### Standards and curricula

- Council of Chief State School Officers and the National Governors Association's Common Core State Standards for Mathematics
- Council for Economic Education's Financial Fitness for Life
- Jump$tart Coalition's National Standards
- Junior Achievement's $ave USA
- Money Savvy Kids: Basic Personal Finance Curriculum
- National Endowment for Financial Education's High School Financial Planning Program
- Network for Teaching Entrepreneurship's Your Financial Future
- Schwab's MoneyWise
- Sesame Workshop's For Me, For You, For Later: First Steps to Spending, Sharing, and Saving
- Treasury and the Financial Literacy and Education Commission's Financial Education Core Competencies
- Treasury's Money Math: Lessons for Life
- Wisconsin's Model Academic Standards for Personal Financial Literacy

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