



# for Young People Grades 9 – 12 Parent/Caregiver Guide

*A fun way for parents and caregivers to help kids get smart about money.*

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**Caution:** Coins are a leading cause of choking-related injury and death for young children, particularly for those aged 3 and under.

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# What is *Money Smart*?

Welcome to the *Money Smart* guide for parents and caregivers of teens in grades 9–12 and young adults aged 18–20. Discussing money throughout a child’s life helps to build a strong foundation for healthy financial habits in the future. Within these pages you will find information, resources, activities, and conversation starters about money to help build that foundation.

This guide corresponds to the *Money Smart* curriculum that would normally be delivered by an educator in a classroom or other group setting. This resource can also be used by all families with teens and young adults, whether or not your teen is learning about these topics in school.

To support everyday explorations of money, each theme, or chapter, includes the following:

- **Topics/Lesson Connections:** Connections to the *Money Smart* curriculum in the classroom.
- **Topic Overview:** A brief overview of each section.
- **From the Classroom:** Parent and caregiver information about the topic in the form of key questions that are used as part of the *Money Smart* curriculum in the classroom. Questions are answered in the same language used by educators to provide consistency from classroom to home.
- **Words to Know:** Key vocabulary terms about money.
- **Conversation Starters...Ask Your Teen:** Thought-provoking conversation starters that can be discussed anywhere, at any time, and will lead to interesting discussions between you and your teen around the topic of finances.
- **What if My Teen Wants To...:** Common financial questions and dilemmas, and how to respond when the “what if” moments of life occur.
- **Family Activities:** Simple and fun activities to do as a family that engage teens in the topic while supporting parents and caregivers in their job of raising children.
- **Resources:** Books, articles, online resources, games, and apps that engage teens and help reinforce the topics. These are just a few of many existing resources and are not endorsed by the Federal Deposit Insurance Corporation.

We hope you find these pages useful and fun for the whole family! To find more resources, visit:

- [www.fdic.gov/moneysmart](http://www.fdic.gov/moneysmart) (for the FDIC’s financial education curriculum)
- [www.consumerfinance.gov/parents/](http://www.consumerfinance.gov/parents/) (to find age-appropriate information and activities for teens)
- [www.mymoney.gov](http://www.mymoney.gov) (to find financial education resources from more than 20 federal agencies)

## Your teen’s FUTURE

Part of building a strong foundation for your teen’s financial future is making sure his or her personal information stays secure. Controlling and limiting access to a teen’s information is one of the best ways to protect teens from identity theft.

Keep in mind that scammers also use social networking sites to gather even small tidbits of information that can be used to commit fraud. Parents and caregivers can learn more about how to help keep his or her teen safe when using mobile phones and computers by visiting OnGuardOnline ([www.onguardonline.gov](http://www.onguardonline.gov)), the federal government’s website to help you be safe, secure, and responsible online.

## Tips For Talking About Money

As teens grow and mature, they may naturally ask a lot of questions as they take on more adult behaviors and responsibilities. Sometimes, questions about money can be awkward or seem hard to answer, but it's important to engage teens in understanding the value of money and how it works. This guide includes "Conversation Starter" questions and fun and useful "Family Activities" to support these conversations and allow teens an opportunity to share his or her thoughts and ask questions. These activities also help you to bond with your teen by creating comfortable ways to talk about money and financial security.

You can use these questions and activities to ask about specific topics that may have been covered in the classroom or as boredom busters while running errands or eating dinner. They are designed to fit into your schedule and make it easier to talk to your teen about money.

However you engage with your teen around the topic of money, you are sure to gain some wonderful insight into your teen's interests and understanding of the world. And, remember, you are your teen's best role model. You may not have all the answers, but engaging in these conversations and activities offers opportunities to learn together.

## About the Resources

The resources listed in this guide are just a few possibilities available in the wide world of books, apps, websites, and games that explore the topics found in these pages. A local librarian or your teen's teacher may have other suggestions.

## Ways to Use Articles:

- **Read together.** This is a wonderful way to bond with your teen and support his or her literacy skills while talking about money.
- **Ask for a summary.** Whether your son or daughter reads with you or independently, ask him or her to explain the purpose of the article.

## Ways to Use Websites, Tools, Games, and Apps:

- **Play and learn together.** Notice how your teen approaches decision making. Ask: *What did you discover while playing a game?*
- **Discuss games.** After your teen has explored the games, ask: *Which one was your favorite? How did you play the game? What skills did the game require? What did you learn?*
- **Explore together.** Explore the tools and apps together. How can they apply to your financial lives?

## Youth Banking Programs

**Youth banking programs are partnerships between schools and banks in which your child is given the opportunity to open and deposit money into a real savings account in school as part of a financial education program.** Having and using a bank account not only reinforces what your child learns about money in the classroom, but also gives your child opportunities to form healthy financial habits. Youth banking programs can:

- Prepare your child to open and learn about how a bank account works, which better positions them for economic opportunities.
- Prepare and empower your child to make sound financial decisions.
- Reinforce what your child is learning in the general curriculum, in math, social studies, and other subjects.

Financial education and real-life experience saving in an account can be a powerful combination. Research shows that having a bank account *boosts the effect of financial education* in the classroom. In addition, in-school banking *increases account ownership* and *improves attitudes toward banking*.

Children in grades Pre-K–2 are ready to start forming healthy money habits and learn norms and rules of thumb that relate to money. They also are learning basic numeracy, how to understand and work with numbers. By second grade, children are developing basic money management skills. Youth banking programs for your child’s age group can promote your child’s development in these areas.

**As a parent or caregiver, you can look for opportunities to get your child involved in one of these innovative programs.**

- Ask your child’s teacher if the school offers a youth banking program or whether offering one is a possibility.
- Check with your bank to see whether they offer any programs or events that combine school-based financial education with the experience of saving in a bank account.
- If there is not a program in place at your school, consider putting the school in touch with a bank or nonprofit engaged in youth financial capability. Together, they can choose from a wide range of options to create a program that is a great fit for the school, the bank, and – most importantly – the students. Encourage them to visit FDIC’s Youth Banking Resource Center online at [www.fdic.gov/youthsavings](http://www.fdic.gov/youthsavings) to learn more.

**Once you find a youth banking program for your child, be supportive by:**

- **Returning any required forms or permission slips.** If you have questions about forms, ask!
- **Building a habit of saving.** Even small amounts add up over time, so help your child stick to a habit of putting a bit into savings out of every amount they earn or receive.
- **Showing interest.** The conversations starters, family activities, and other resources in this Parent/Caregiver Resource Guide are a great way to show interest and reinforce learning.
- **Volunteering.** Ask how you can lend a hand. For example, help prepare supplies and materials for lessons. Or chaperone a field trip to a local bank branch.
- **Participating.** Many youth banking programs include special events for parents and families to learn and have fun doing it.



# Theme 1: Earn

**Topic Connections:** Connects with *Money Smart* curriculum in the classroom: Lesson 1 (Career Options), Lesson 6 (Managing Your Paycheck), Lesson 13 (Understanding the Economy), and Lessons 21 and 22 (Entrepreneurship).

## Topic Overview:

Profit. Passion. Potential. These words are at the heart of finding meaningful work that offers financial stability and growth. But it's not always that easy. We're faced with tough choices in life all the time, whether it's weathering an economic storm, struggling to untangle taxes, or guiding a young adult in finding the right career path. It's knowing how to react and respond when called upon to make difficult decisions that empowers oneself and increases opportunities for earning potential.

## From the classroom:

**How do you know which career or job is right for you?** Finding the right career path begins with knowing what activities you enjoy doing and are good at, deciding what your financial goals are, and then researching to discover what jobs meet your goals and passions. For a complete list of careers, visit the U.S. Bureau of Labor Statistics Occupational Outlook Handbook at <http://www.bls.gov/ooh/>.

**What is an entrepreneur?** An entrepreneur is someone who sees an opportunity and makes a plan to start and manage a business. Entrepreneurs invest their time and money to start a business. They take the risk of losing some or all of their invested resources, with the goal of realizing financial returns.

**How much do you pay in taxes, and why?** Your income tax rate is determined by the amount of money you earn. Other taxes include FICA (Federal Insurance Contributions Act), which are Social Security and Medicare taxes. Social Security is a federal government program that provides retirement, survivors, and disability benefits. Medicare is also a federal government program and it pays for certain health care expenses. The 2015 Social Security tax rate is 12.4%, with 6.2% contributed by the employer and 6.2% contributed by the employee (based on the first \$118,500 in earned wages). The 2015 Medicare tax rate is 2.9%, with 1.45% contributed by the employer and 1.45% contributed by the employee. If you are self-employed, you contribute the full percentage for Social Security and Medicare.

**In what ways does the economy affect you?** When the economy is strong and interest rates are low, credit is less expensive and more people and businesses are able to borrow money. However, despite low interest rates, businesses can be reluctant to invest. This is because businesses weigh the uncertainty of the economy when making decisions to invest and grow their companies. When businesses are hesitant to invest, it can result in a slower economic recovery. Conversely, high interest rates on credit make it challenging for people and businesses to borrow money, which lowers buying capabilities and slows down the economy. A slower economy can also mean less work is available, increasing unemployment rates.

## Words To Know:

**Career:** The type of work a person pursues for the majority of their life that may involve formal education, special training, or be within a specific industry.

**Entrepreneur:** An individual who establishes and operates his or her own business.

**Gross Income (Gross Pay):** Earnings before deductions (as for taxes or expenses) are subtracted.

**Income:** Money that you receive from jobs, allowances, gifts, interest, dividends, and other sources.

**Income Tax:** Taxes on income, both earned (salaries, wages, tips, commissions) and unearned (interest, dividends). Income taxes can be levied on both individuals (personal income taxes) and businesses (business and corporate income taxes).

**Inflation:** A rise in the general level of prices of goods and services in an economy over a period of time; the opposite is deflation.

**Job:** A specific duty, task, or activity someone completes using his or her time, skills, and energy to earn money.

**Medicare:** A health insurance program for people who are 65 or older, certain younger people with disabilities, and people with permanent kidney failure requiring dialysis or a transplant. This program is financed by deductions from wages and managed by the federal Social Security Administration.

**Monetary Policy:** What the Federal Reserve, the nation's central bank, does to influence the amount of money and credit in the U.S. economy. What happens to money and credit affects interest rates (the cost of credit) and the performance of the U.S. economy.

**Net Income (Take-Home Pay):** The gross pay minus deductions (such as for taxes, health care premiums, and retirement savings).

**Paycheck:** A check that is used to pay an employee for his or her work.

**Recession:** A period of reduced economic activity.

**Social Security:** A federal government program that provides retirement, survivors, and disability benefits, funded by a tax on income.

## Conversation Starters ... Ask Your Teen:

- What would be your "dream" job, and why?
- What education do you need to achieve your dream job?
- What type of activities do you enjoy doing? What jobs would allow you to do these?
- Where do you think our tax dollars go?

## What if My Teen Wants To...:

**What if my teen wants to get a job?** Depending on your teen's age and the state you live in, he or she may have to begin with work such as babysitting or walking neighborhood dogs. Once your child turns 14, he or she may be able to look for other opportunities, such as working at the local ice cream shop or grocery store. Labor laws vary by state. Until your teen turns 18, check your state's labor laws by visiting the United States Department of Labor website at [www.dol.gov/whd/state/state.htm](http://www.dol.gov/whd/state/state.htm). For more information, review the *Are You a Teen Worker?* guide by the Department of Health and Human Services and discuss the types of jobs your teen is interested in at [www.cdc.gov/niosh/docs/2012-130/pdfs/2012-130.pdf](http://www.cdc.gov/niosh/docs/2012-130/pdfs/2012-130.pdf).

**What if my teen wants to start his or her own business?** Ask your teen about his or her interests and passions. How could these be turned into a business idea? Encourage your teen to write out a plan for the business idea and help determine how much money it would take to set up and operate the business. Help your teen find a realistic way to test the business idea. For example: if your teen loves to craft and makes hand-sewn purses, a local craft fair is a great venue to test the market. Likewise, if your teen is interested in a service-based business such as web design, your teen could help a local business, family member, or friend with website needs. The goal is to find realistic ways for your teen to put his or her entrepreneurial aspirations into practice.

## Family Activities:

**Tax Preparation:** Discuss with your teen how to file taxes or let your teen work alongside you when preparing your tax return. Whether visiting a tax preparer or doing it yourself, engage your teen in the process by showing the steps it takes to prepare and file a tax return.

**Paychecks and Taxes:** If your teen has a job, ask what taxes are deducted from his or her paycheck. Review the paycheck together and talk about the different deductions and how that money is used to benefit the greater public.

**Job Shadowing:** If you are able to, take your teen to work with you for a few hours or for one day. Show him or her what you do and the responsibilities you have. If a family member or friend holds a job that interests your teen, arrange for a similar career visit to show your teen firsthand how a real-world job works.

**Career Exploration:** Work together with your teen to make a list of different jobs held by family members, both past and present. For example: what jobs do grandparents, aunts, uncles, cousins, siblings, and other relatives hold? Talk about the similarities and differences between the jobs. Use the list as way to assess your teen's interest in different professions.

## Resources:

### Articles:

- *\$250 Million for a 14-Year-Old's Big Idea: Origami Owl* by Karsten Strauss, Forbes: Read about Isabella Weems, a young entrepreneur who was saving up for a used car when her jewelry business made it big.  
[www.forbes.com/sites/karstenstrauss/2013/10/22/250-million-for-a-14-year-olds-big-idea-origami-owl/](http://www.forbes.com/sites/karstenstrauss/2013/10/22/250-million-for-a-14-year-olds-big-idea-origami-owl/)



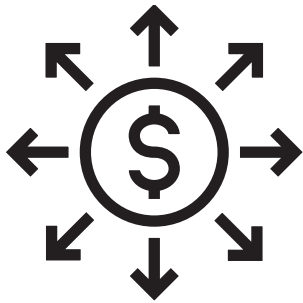
- *Careers with Options: Occupations with Jobs in Many Industries* by Elka Torpey and Audrey Watson, Occupational Outlook Quarterly: Learn about flexible careers with jobs in multiple industries.  
**[www.bls.gov/careeroutlook/2014/spring/art02.pdf](http://www.bls.gov/careeroutlook/2014/spring/art02.pdf)**
- *Are You a Teen Worker?* by the Department of Health and Human Services: Discover your working rights, employer responsibilities, and what kinds of work you can do.  
**[www.cdc.gov/niosh/docs/2012-130/pdfs/2012-130.pdf](http://www.cdc.gov/niosh/docs/2012-130/pdfs/2012-130.pdf)**
- *Taxpayer Bill of Rights* by the Internal Revenue Service: Explore your fundamental rights as a taxpayer.  
**[www.irs.gov/Taxpayer-Bill-of-Rights](http://www.irs.gov/Taxpayer-Bill-of-Rights)**
- *United States Economy at a Glance* by the Bureau of Labor Statistics: Get a quick look at the U.S. economy, including current unemployment rates and average earnings.  
**[www.bls.gov/eag/eag.us.htm](http://www.bls.gov/eag/eag.us.htm)**

### Online Tools:

- *Occupational Outlook Handbook* by the Bureau of Labor Statistics: A complete guide to everything you need to know about hundreds of careers, from military jobs to construction and health care.  
**[www.bls.gov/ooh/](http://www.bls.gov/ooh/)**
- *CareerOneStop* by the U.S. Department of Labor, Employment, and Training Administration: Learn all about careers, education and training, and tips on how to search for a job.  
**[www.careeronestop.org/](http://www.careeronestop.org/)**
- *Hands on Banking for Teen and Young Adults* by Wells Fargo: Find interactive information for both teens and young adults on earning, spending, and saving. **[www.handsonbanking.org/en/](http://www.handsonbanking.org/en/)**
- *Consumer Information: Jobs & Making Money* by the Federal Trade Commission: Helpful job tips, from how to spot a scam to what to do when facing job loss.  
**[www.consumer.ftc.gov/topics/jobs-making-money](http://www.consumer.ftc.gov/topics/jobs-making-money)**
- *Business Cycles* by the Council for Economic Education: Understand economic cycles by watching peaks, downturns, and recovery in the economy.  
**[www.econedlink.org/interactives/index.php?id=200&type=student](http://www.econedlink.org/interactives/index.php?id=200&type=student)**
- *Checklists* by the US Department of Education: Student and parent checklists that help the student focus on succeeding academically and learning about financial aid and provide the parent with tips. **<https://studentaid.ed.gov/sa/prepare-for-college/checklists>**

### Games/Apps:

- *Refund Rush* by Financial Entertainment: Help clients figure out what to do with their tax refunds in this interactive and fun game.  
**<http://financialentertainment.org/>**
- *Fed Chairman Game: So You Want to Be in Charge of Monetary Policy?* by the Federal Reserve Bank of San Francisco: Practice your hand at controlling the economy by managing inflation and unemployment rates.  
**<http://sffed-education.org/chairman/>**



## Theme 2: Spend

**Topic Connections:** Connects with *Money Smart* curriculum in the classroom: Lesson 3 (Spending and Budgeting), Lesson 10 (Automobile Purchase), Lesson 12 (College and Student Loans), Lesson 16 (Homeownership and Renting), and Lesson 17 (Charitable Giving).

### Topic Overview:

How do you make wise choices with money? A budget is at the top of the list in answering this question, because it provides a plan for every dollar that comes in and out of your wallet. Moreover, budgeting helps you to maintain good cash flow throughout the month or year, avoiding crunch time for bills and impulse spending. But there are also other elements to think about when it comes to spending, like renting versus buying a home, whether or not you need or want a car, paying for college, and giving money to causes you care about. We can control how, where, and when we spend by making a plan.

### From the classroom:

**What is a budget?** A budget is a plan on paper that shows how you will spend and save your money. It includes a list of money you earn (income) and money you spend (expenses) and save.

**What are your transportation needs?** Whether buying a car or using public transportation, it helps to analyze what your needs are and how much you can afford to spend. For example: if you live close to work, buying a car may not be a necessity, because you can walk. On the other hand, if you live in a rural area with no public transportation, having a car may be a top priority.

**How much should you spend on a college education? How much can your family afford to contribute to college education?** While everyone is unique and has his or her own education and financial goals, you can determine how much different degrees will cost and the types of jobs and salaries that go with the majors your teen is interested in. Review the College Scorecard to begin comparing education costs with occupations at <https://collegescorecard.ed.gov> and visit [www.StudentAid.gov](http://www.StudentAid.gov) to explore financial aid and scholarship possibilities. Visit the CFPB's Know Before You Owe website for more information on calculating college costs and exploring student loans at [www.consumerfinance.gov/students/knowbeforeyouowe/](http://www.consumerfinance.gov/students/knowbeforeyouowe/).

**Should you rent or buy a home?** When choosing between renting or buying a home, it's important to consider what your budget is, how much you have stashed away in available savings, your personal and career goals, and what your current and future housing needs are. If you are interested in buying a home, you will need to have money for a down payment. When you purchase a home, there are additional expenses as well, such as closing costs, property taxes, and the ongoing maintenance of the home. Renting also carries its own set of costs. For example, you may be asked to pay first and last month's rent when signing a new lease. You may also pay a security deposit and possible additional fees for extras like parking, pets, and renters insurance.

**What is philanthropy?** Philanthropy is based on promoting the welfare of others, or the common good. Philanthropy is expressed not just through donating money, but also through using your talents, skills, resources, and time to help support causes you care about.

## Words To Know:

**Budget:** A plan that outlines what money you expect to earn or receive (your income) and how you will save it or spend it (your expenses) for a given period of time; also called a spending plan.

**Cash Flow:** The amount of money flowing in (income) and flowing out (expenses) of a personal budget.

**Cash Flow Statement:** A summary of the money that comes in (income) and out (expenses) of a household or business over a period of time.

**Direct Loan:** A low-interest loan for students and parents to help pay for the cost of a student's education after high school.

**Expense:** The cost of goods and services.

**Financial Aid:** Award(s) to individuals to help pay for education expenses.

**Fixed Expense:** An expense that does not change from month to month.

**Free Application for Federal Student Aid (FAFSA):** The free application used to apply for federal student aid, such as federal grants, loans, and work-study.

**Grant:** A form of financial aid, often based on financial need that does not need to be repaid (unless, for example, you withdraw from school and owe a refund).

**Income:** Money that you receive from jobs, allowances, gifts, interest, dividends, and other sources.

**Mortgage (Home Loan):** A contract, signed by a borrower when a home loan is made, that gives the lender the right to take possession of the property if the borrower fails to pay off, or defaults on, the loan.

**Philanthropy:** Giving money or time for the purpose of trying to make life better for others.

**Rent:** The amount of money needed to live in or use someone else's property, such as a home, condo, or apartment.

**Scholarship:** Money awarded to students based on academic or other achievements to help pay for education expenses. Scholarships generally do not have to be repaid.

**Variable Expense:** Money that a person spends or gives away that varies from month to month.

## Conversation Starters ... Ask Your Teen:

- What are ways you can give other than with money?
- Why do you think it's important to keep track of money you earn and spend?
- What do you want to do after high school? If you want to go to college, how much total money do you think it will cost?
- What is the difference between renting and buying a home?

## What if My Teen Wants To...:

**What if my teen wants to donate money?** Research local charitable organizations together and select one that your teen is interested in helping. If he or she has saved money to donate, make a contribution to the charity you researched. If he or she does not have savings set aside, remind your teen that giving isn't just about money — we can also give our time, skills, and talent to help a charity and organization. Help your teen figure out where and how his or her skills and talents could best be used to help the organization.

**What if my teen wants to buy a car?** Think first about the motives behind the car and whether it is a need or want. If your teen travels a long distance to get to school, work, and other extracurricular activities, a car could help get her where she needs to go. But if your teen wants a car because everyone else has one or he wants to go out on the weekends and cruise with friends, then the purchase would be more of a want, not a need. Make sure you also consider the responsibility level of your teen and whether or not he or she will be able to manage the upkeep of the car (including changing the oil regularly and keeping it filled with gas). Also be sure to keep an eye on your budget — can you or your teen afford to make such a large purchase? If neither of you is quite ready for such an expenditure, challenge your teen to save up to purchase the car. This will be a great way to teach financial goals, responsibilities, and how to plan ahead to get something he or she wants.

**What if my teen wants to rent his or her first apartment?** Whether your teen is moving from a dorm to an apartment or branching off on his or her own for the first time, renting an apartment requires careful planning, budgeting, and self-assessment. Is your teen ready for the responsibility of paying rent, holding a steady job to earn income, and managing utility bills? If you feel your teen is of an appropriate age and maturity to live independently, create a budget together and help him or her set savings goals and research rental prices.

## Family Activities:

**Daily Spending Choices:** Involve your teen in routine financial activities, like writing a check, paying a bill online, depositing or withdrawing money from the bank, or the process of deciding how to pay for an item at a store (credit, debit, or cash).

**Volunteer Together:** Find a local organization that could use volunteer help and set aside one afternoon or day each month to volunteer together as a family.

**Budget Project:** Challenge your teen with a budgeting project for an item the family might need or want, such as a new cell phone or household item. Give your teen a set amount to “spend” and challenge him or her to research and find the best deal.

**Research College Costs:** Help your teen research college costs by gathering tuition information on different college education options, such as universities, community colleges, and two- and four-year colleges, private and public colleges, as well as vocational and training schools.

## Resources:

### Articles:

- *Buying a Home* by the American Institute of Certified Public Accountants: How much house can you afford? How does a mortgage work? Get answers to those questions and more in this article. [www.360financialliteracy.org/index.php/Topics/Home-Ownership/Buying-a-Home/Buying-a-home](http://www.360financialliteracy.org/index.php/Topics/Home-Ownership/Buying-a-Home/Buying-a-home)
- *Fair Housing: It's Your Right* by the U.S. Department of Housing and Urban Development: Read the Fair Housing Act and discover what it means to you as a homebuyer. [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/fair\\_housing\\_equal\\_opp/FHLaws/yourrights](http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/FHLaws/yourrights)
- *Looking for the Best Mortgage: Shop, Compare, Negotiate* by the U.S. Department of Housing and Urban Development: Tips on how to get the best mortgage rate and a mortgage comparison worksheet. [www.hud.gov/buying/booklet.pdf](http://www.hud.gov/buying/booklet.pdf)
- *Before Giving to a Charity* by the Federal Trade Commission: Before making a donation, follow these research guidelines. [www.consumer.ftc.gov/articles/0074-giving-charity#Checklist](http://www.consumer.ftc.gov/articles/0074-giving-charity#Checklist)
- *378 Starbucks Customers "Pay It Forward"* by the Associated Press, Smithsonian Tween Tribune: Read about the concept of "paying it forward" in this real-life example. <http://tweentribune.com/teen/378-starbucks-customers-pay-it-forward>
- *Giving* by The Mint.com, Northwestern Mutual: Learn how to make a plan for giving money, giving time and energy, and giving things. [www.themint.org/teens/giving.html](http://www.themint.org/teens/giving.html)

### Online Tools:

- *College Scorecard* by the US Department of Education: Make informed decisions by reviewing college affordability and assessing personal factors such as location, size, and programs offered. <https://collegescorecard.ed.gov>. Financial Aid is available to help make college a reality. Explore your options to help pay for college at [www.StudentAid.gov](http://www.StudentAid.gov).
- *Paying for College* by the Consumer Financial Protection Bureau: Get help making smart decisions for college by comparing financial aid offers and understanding how to repay student loans. [www.consumerfinance.gov/paying-for-college/](http://www.consumerfinance.gov/paying-for-college/)
- *Young America Saves* by the Consumer Federation of America: Explore multiple resources, including videos featuring young adults on credit card debt, buying a car, and how to save the money you earn. [www.americasaves.org/for-savers/young-america-saves](http://www.americasaves.org/for-savers/young-america-saves)
- *Buying & Owning a Car* by the Federal Trade Commission: Explore tips on leasing versus buying and how to finance a car purchase. [www.consumer.ftc.gov/topics/buying-owning-car](http://www.consumer.ftc.gov/topics/buying-owning-car)
- *Auto Loan Calculator* by Cars.com: Calculate the cost of a car loan. [www.cars.com/go/advice/financing/calc/loanCalc.jsp?mode=full](http://www.cars.com/go/advice/financing/calc/loanCalc.jsp?mode=full)
- *Rent or Buy? Calculator* by Trulia.com: Determine by location if it is less expensive to rent or buy a home. [www.trulia.com/rent\\_vs\\_buy/](http://www.trulia.com/rent_vs_buy/)

## **Games/Apps:**

- *Car Costs* by Money Talks, University of California Cooperative Extension: Learn how to do your homework before buying a car, in this interactive game.  
**<http://moneytalks4teens.ucdavis.edu/games.cfm?std=4>**
- *ATM Game* by Money Talks, University of California Cooperative Extension: Explore how an ATM works and compare different ATM fees to find the lowest cost to withdraw money.  
**<http://moneytalks4teens.ucdavis.edu/games.cfm?std=25>**
- *Groove Nation* by Financial Entertainment: A fun simulation where you play the choreographer and financial manager for a competitive dancer. You help manage income and expenses and work to create a budget to ensure the dancer's success.  
**<http://financialentertainment.org/play/groovenation.html>**
- *Compulsive Spending! Episode 5* by Feed the Pig, American Institute of Certified Public Accountants: Listen to examples of how impulse spending can cause major hits to savings.  
**[www.feedthepig.org/toolbox/podcasts#.VCmv\\_GRdVNu](http://www.feedthepig.org/toolbox/podcasts#.VCmv_GRdVNu)**
- *Creating a Budget, Episode 10* by Feed the Pig, American Institute of Certified Public Accountants: Listen in on how to build a strong budget by exploring needs and wants.  
**[www.feedthepig.org/toolbox/podcasts#.VCmv\\_GRdVNu](http://www.feedthepig.org/toolbox/podcasts#.VCmv_GRdVNu)**



## Theme 3: Save and Invest

**Topic Connections:** Connects with *Money Smart* curriculum in the classroom: Lesson 2 (Financial Planning), Lesson 4 (Importance of Savings), Lesson 5 (Choosing a Banking Partner), Lesson 12 (College and Student Loans), Lesson 13 (Understanding the Economy), Lesson 14 (Financial Markets and Investing), and Lesson 15 (Retirement Planning).

### Topic Overview:

Saving and investing are important parts of the financial puzzle. Putting the pieces in place at a young age helps build financial stability long into the future. By selecting strong banking partners, growing savings habits, and thinking long-term with investments, the riddle of financial saving isn't so puzzling after all.

### From the classroom:

**How do you create a financial plan?** You create a financial plan by first writing down your values and financial goals. The next step is to write down a budget that includes details of your income and expenses. Weigh both your needs and wants, and limit your expenses when you need to stick to your budget. This will help you to manage the pressure of buying and spending impulsively.

**How do you know the difference between a need and a want?** A need is something you must have to live, like food and shelter. A want is something that you don't need to survive but something you would like to have, like two new pairs of shoes, an expensive cell phone, or a TV.

**Where should you save money?** How much money should you save? A savings account allows you to make deposits and earn interest on your money. While interest rates in savings accounts aren't as high as investment products, they are more secure because they are federally insured. This means that, even if a bank closes, you are guaranteed to keep your money.

**How do you save enough money for college?** Making a savings plan as early as possible is the best way to maximize the time your money has to grow. Building savings habits such as having a set amount of money automatically deposited into a savings account from your earnings is a helpful strategy to build long-term savings for college. In addition to saving, college costs can also be covered through scholarships, grants, and federal financial aid.

**Why do you save and invest money? How is investing different from savings?** People save and invest money to achieve goals, to have a feeling of security, to be prepared for financial emergencies, to maintain self-esteem, and to have control over their financial future. When you deposit money into a savings account at a federally insured financial institution, your money is safe because it's protected up to the federal limits (at least \$250,000 per depositor per insured institution) if the bank fails. Investments such as stocks, bonds and mutual funds can produce higher returns than bank deposits over many years, but you could also lose some or all of that money. (Non-deposit investments are not insured by the FDIC against loss.) In general, the longer you plan to keep money invested and the greater your tolerance for volatility (the value of your investment going up and down), the more likely these investments can help you reach your targets.

***What can you invest in to grow your money?*** Some people invest their money in real estate by buying and selling properties. Others invest in securities such as stocks and bonds either directly or by purchasing shares in a mutual fund. For a complete list of investment vehicles, visit Investor.gov at [www.investor.gov/investing-basics/investment-products#.VCnPtWRdVNu](http://www.investor.gov/investing-basics/investment-products#.VCnPtWRdVNu).

***What are insured financial institutions?*** Both banks and credit unions receive from the state or federal government a charter that permits them to operate. They can then accept deposits and make loans. Each is periodically examined by a regulatory agency. The Federal Deposit Insurance Corporation (FDIC) protects your insured deposits in banks and savings associations. The National Credit Union Administration (NCUA) protects your insured deposits in federal credit unions and in the majority of state-chartered credit unions. The FDIC and NCUA are each independent agencies of the United States government.

***What is the difference between a credit union and a bank?*** A credit union is a not-for-profit cooperative organization that is owned and run by its members. In order to open an account or borrow money from a credit union, you need to be a member of a credit union. Each credit union decides who can become a member. A bank is a for-profit business owned by investors or others. In many cases, those who own a bank may own shares of stock in the bank. These shareholders then elect a board of directors that governs the bank.

## **Words To Know:**

**Bank:** A financial institution and business that accepts deposits, makes loans, and handles other financial transactions.

**Checking Account:** A deposit account at a financial institution that allows consumers to make deposits, pay bills, and make withdrawals. Money that is in a checking account is very liquid, meaning it can be easily accessed.

**Compound Interest:** The interest paid on principal and previously earned interest.

**Credit Union:** A not-for-profit financial institution owned by its members and represented by a volunteer board of directors who are elected by the membership. To become a member, you must meet the credit union's field of membership requirements and open a share account.

**Federal Deposit Insurance Corporation (FDIC):** Preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$250,000. An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s. Since the start of FDIC insurance on January 1, 1934, no depositor has lost a single cent of insured funds as a result of a failure.

**Financial Aid:** Award(s) to individuals to help pay for education expenses.

**Financial Planning:** Identifying a person's financial goals, needs, and expected earning, saving, investing, insurance, and debt management activities.

**Interest:** Money that a bank or other financial institution pays you for keeping money on deposit with them, or the amount of money you pay a bank as a fee when you borrow money. You can earn interest from a bank (such as when you keep money in a saving account) or pay interest (such as when you borrow money).



**Invest:** To put money at risk with the goal of making a profit (return) in the future.

**Investment:** Using money or time in a way that you expect will bring you a return or increase in value.

**Investment Vehicle:** The type or methods that a person (or business) can use to invest money.

**Need:** Something you must have to survive, such as clothes, shelter, or food.

**Save:** To set something, like money, aside to use in the future.

**Savings Account:** A bank account that you can use to set aside money, and that pays you interest.

**Stock:** An investment that represents a share of ownership in a company.

**Want:** Something that you would like to have but that you could live without, such as a TV or tickets to a baseball game.

### **Conversation Starters ... Ask Your Teen:**

- If you received a gift of \$5,000, what would you do with it, and why?
- What are goals you have for yourself and your future? What will you need to do in order to reach those goals?
- How much money do you think you will need when you retire?
- What do you think defines a need as opposed to a want?

### **What if My Teen Wants To...:**

***What if my teen wants to open a bank account?*** Consider opening a savings account first and assessing how your teen handles saving his or her money. If you feel your teen is actively depositing money, you may consider opening a checking account next to help your teen practice balancing income and expenses and maintaining a check register. Young adults will inevitably make errors in judgment and overspend from time to time, but it is better to have them experience those learning curves while at home and to use them as teachable moments so that, when they are ready to leave the nest, they are equipped to balance saving and spending.

***What if my teen wants to go to college?*** There's no doubt that a college education can be costly, but according to U.S. Census Bureau data, someone with a college degree can earn, on average, 60 percent more than a person with only a high school diploma. Start planning and saving for college as early as possible. Before you (or your child) take out a loan for education purposes, make full use of all free student aid (scholarships or grants). Go to [www.StudentAid.gov](http://www.StudentAid.gov) to learn more about how to make college more affordable and options for financing higher education. Determining the return on investment (ROI) of a college major and school selection is also helpful in deciding which college to attend and what degree to pursue. The College ROI Report offers an easy way to compare ROI on different degree and school choices at [www.payscale.com/college-roi/](http://www.payscale.com/college-roi/).

**What if my teen wants to spend, not save?** Young adults have typically not yet developed the skills for delayed gratification and self-discipline in saving. For example: electronics, clothes, and even cars are some of the items that can tempt young people to spend money rather than work toward their savings goal. But guiding your teen in establishing savings habits now helps build lifelong savings. One way to do this is to work together with your teen to help set and reach a financial goal. For example: if he or she wants a new phone, help your teen figure out how much it will cost and how long it will take to earn enough money to buy it. Setting a concrete goal and mapping out how to reach that goal shows teens that we can't just spend, spend, spend—we have to weigh our spending choices carefully and earn enough money first in order to buy something we want.

**What if my teen wants to buy a stock?** Exploring the stock market can be a great introduction to the world of investing. Stocks represent direct ownership in a business. Shares are available on the major exchanges, such as the NASDAQ and New York Stock Exchange (NYSE). Investors buy stocks for various reasons. These include the hope that they can sell the stock for more money than they purchased it and for dividend payments, which come when the company distributes some of its earnings to stockholders. Historically, stocks have outperformed bonds and other fixed-income investments.

Bonds are “IOU” investments that have a promise to pay predictable income. They are issued by governments, government agencies, corporations, and other entities to raise money for their operations, products, and services. Bonds are issued at a fixed rate, face value, and maturity. They are rated based on the financial strength of the issuing entity by bond-rating agencies.

Another investment security is mutual funds. Mutual funds represent a pool of stocks and bonds. When you invest in a mutual fund, you gain indirect ownership in bonds or stock of companies included in the mutual fund. If your teen has set aside a certain amount of money to invest, help him or her research companies and products that he or she uses and what it would cost to buy a share. You may also consider setting up an appointment to visit a financial advisor, who can help teach your teen how the stock market works, how to pick a stock, and how to follow it to analyze performance. If you feel your teen is not ready to invest with real money, you can still engage him or her in the process of the stock market through an online simulation, such as the Stock Market Game by SIFMA Foundation at [www.stockmarketgame.org/](http://www.stockmarketgame.org/).

For more information on investing, visit [www.investor.gov](http://www.investor.gov).

## **Family Activities:**

**Bank Visit:** Take your teen to the bank with you. Show him or her how to fill out a deposit and withdrawal slip and to use the ATM machine. If possible, arrange a meeting with a bank representative to discuss different savings and checking account options, and explore setting up a savings account for your teen if she or he doesn't already have one.

**Saving Habits:** Talk to your teen about your own saving habits, such as if you contribute to a retirement account, put aside a set amount of dollars each month or year, or have automatic savings through direct deposit to a savings account.

**Family Budget:** Create a family budget by making a list of family expenses and working together to label them as a needs or wants. Create a budget with all of the need-related expenses and then see which “wants” could also fit into the budget.

**Family Values:** Talk to your teen about your family values and identify together what is most important for your family, such as having a home, education, or career choices.

**Family Goal:** Set a family goal, such as saving up for a new television or going to an amusement park for a day, and create a family plan to save enough money to reach the family goal. Consider different savings strategies, such as putting a set percentage of all earned income into a special savings account dedicated to the family goal.

**Take a Pledge:** Join other families and be a part of America Saves, an initiative created to help you review your savings goals. Take the Pledge to Save and assess your savings progress at [www.americasaves.org](http://www.americasaves.org).

## Champion Youth Banking at your school

**Youth Banking Programs:** Youth banking programs are partnerships between schools and banks in which your teenager is given the opportunity to open and deposit money into a real savings account in school as part of a financial education program. Having a bank account and using it not only reinforces what your teenager learns about money in the classroom, but also gives your teenager opportunities to form healthy financial habits. Youth banking programs can:

- Prepare your teenager to open and learn about how a bank account works, which better positions them for economic opportunities.
- Prepare and empower your teenager to make sound financial decisions.
- Reinforce what your teenager is learning in the general curriculum, in math, social studies, and other subjects.

Financial education and real-life experience saving in an account can be a powerful combination. Research shows that having a bank account boosts the *effect of financial education* in the classroom. In addition, in-school banking *increases account ownership* and *improves attitudes toward banking*.

Teens in grades 9–12 and young adults aged 18-20 are not only growing their financial knowledge and decision-making skills, but are also starting to make major financial decisions. Those decisions can relate to buying a car, managing income from a job, paying for college or other education or training, and getting and using a credit card. Youth banking programs for can give teens knowledge and skills that help them make informed decisions.

As a parent or caregiver, you can look for opportunities to get your teenager involved in one of these innovative programs.

- Ask your teenager’s teacher if the school offers a youth banking program or whether offering one is a possibility.
- Check with your bank to see whether they offer any programs or events that combine school-based financial education with the experience of saving in a bank account.
- If there is not a program in place at your school, consider putting the school in touch with a bank or nonprofit engaged in youth financial capability. Together, they can choose from a wide range of options to create a program that is a great fit for the school, the bank, and – most importantly – the students. Encourage them to visit FDIC’s Youth Banking Resource Center online at [www.fdic.gov/youthsavings](http://www.fdic.gov/youthsavings) to learn more.

**Once you find a youth banking program for your teenager, be supportive by:**

- **Returning any required forms or permission slips.** If you have questions about forms, ask!
- **Building a habit of saving.** Even small amounts add up over time, so help your teenager stick to a habit of putting a bit into savings out of every amount they earn or receive.
- **Showing interest.** The conversations starters, family activities, and other resources in this Parent/Caregiver Resource Guide are a great way to show interest and reinforce learning.
- **Volunteering.** Ask how you can lend a hand. For example, help prepare supplies and materials for lessons. Or chaperone a field trip to a local bank branch.
- **Participating.** Many youth banking programs include special events for parents and families to learn and have fun doing it.

## **Resources:**

### **Articles:**

- *For Everyday Banking: Choosing the Best Account for You* by the Federal Deposit Insurance Corporation: Explore tips for young adults on how to find a bank account and avoid common pitfalls like overdraft fees. [www.fdic.gov/consumers/consumer/news/cnfall12/yourbankaccount.html](http://www.fdic.gov/consumers/consumer/news/cnfall12/yourbankaccount.html)
- *Simple Ways to Rev Up Your Savings* by the Federal Deposit Insurance Corporation: Read simple tips for how to create savings habits. [www.fdic.gov/consumers/consumer/news/cnfall12/savings.html](http://www.fdic.gov/consumers/consumer/news/cnfall12/savings.html)
- *Compound Interest: The Most Powerful Force in the Universe?* by Allan Roth, CBS News: Read about how compound interest works its magic on money. [www.cbsnews.com/news/compound-interest-the-most-powerful-force-in-the-universe/](http://www.cbsnews.com/news/compound-interest-the-most-powerful-force-in-the-universe/)
- *Why Invest?* by Investor.gov: Read about the reasons to invest money and the power of compound interest. [www.investor.gov/introduction-markets/why-invest#.VCnM92RdVN](http://www.investor.gov/introduction-markets/why-invest#.VCnM92RdVN)s
- *Investment Products* by Investor.gov: Learn the basics of different investment products, from bonds to certificates of deposit (CDs) and stocks. [www.investor.gov/investing-basics/investment-products#.VCnPtWRdVNu](http://www.investor.gov/investing-basics/investment-products#.VCnPtWRdVNu)
- *The Secret to Saving for Retirement When You Have Nothing Saved at All* by Donna Rosato, Time.com: Read about steps to take today in order to start saving for tomorrow. <http://time.com/money/3222252/retirement-strategy-when-nothing-saved/>

### **Online Tools:**

- *Compound Interest Calculator* by Investor.gov: Calculate how much your money can grow with this online calculator. [www.investor.gov/tools/calculators/compound-interest-calculator#.VCnBxGRdVNT](http://www.investor.gov/tools/calculators/compound-interest-calculator#.VCnBxGRdVNT)
- *My Social Security* by the Social Security Administration: Plan for the future by creating a free “My Social Security” account to track your earnings and get an estimate of your future benefits. [www.ssa.gov/myaccount/](http://www.ssa.gov/myaccount/)
- *Savings Bond Calculators* by U.S. Department of Treasury: Use them to see how savings bonds can fit into your financial planning. [https://treasurydirect.gov/indiv/tools/tools\\_estimationcalc.htm](https://treasurydirect.gov/indiv/tools/tools_estimationcalc.htm)

- *Savings Fitness Worksheets* by the U.S. Department of Labor. Use these worksheets to help you manage your financial life and begin your savings fitness plan.  
**[www.askebsa.dol.gov/SavingsFitness/Worksheets](http://www.askebsa.dol.gov/SavingsFitness/Worksheets)**
- *Retirement Calculator* by the Financial Industry Regulatory Authority: Plan your investing strategy for long-term retirement savings with this calculator.  
**[http://apps.finra.org/Investor\\_Information/Calculators/1/RetirementCalc.aspx](http://apps.finra.org/Investor_Information/Calculators/1/RetirementCalc.aspx)**
- *Make My Plan* by Feed the Pig, American Institution of Certified Public Accountants: Make a plan for your future by creating short-, medium-, and long-term goals.  
**[www.feedthepig.org/what-do-you-want-to-do#.VCwE7ildVNs](http://www.feedthepig.org/what-do-you-want-to-do#.VCwE7ildVNs)**
- *College ROI Report* by PayScale: Calculate your return on investment for different college degrees and universities. **[www.payscale.com/college-roi/](http://www.payscale.com/college-roi/)**
- *College Board* by The College Board: Use this comprehensive website to research and plan for college. **[www.collegeboard.org/](http://www.collegeboard.org/)**
- *Pocket Cents* by My Credit Union.gov: Helpful tips for youth, tweens, teens, young adults, and parents on life, money, and building your future.  
**[www.mycreditunion.gov/Pages/pocket-cents-home.aspx](http://www.mycreditunion.gov/Pages/pocket-cents-home.aspx)**
- *What Is a Credit Union* by the National Credit Union Administration and MyCreditUnion.gov. This web page is developed by the independent federal agency that regulates, charters, and supervises federal credit unions. It provides consumers with information on credit unions. It also includes tools (such as an interactive game) to teach teens and young adults about money.  
**[www.mycreditunion.gov/Pages/whats-a-credit-union.aspx](http://www.mycreditunion.gov/Pages/whats-a-credit-union.aspx)**
- *Banking Basics* by the Federal Reserve Bank of Boston. A web resource that highlights what a bank is, account types, how deposits work, electronic banking, and more.  
**[www.bostonfed.org/education/pubs/banking2.pdf](http://www.bostonfed.org/education/pubs/banking2.pdf)**

### **Games/Apps:**

- *The Stock Market Game* by The SIFMA Foundation: Learn the basics of investing in this simulation game. **[www.stockmarketgame.org/](http://www.stockmarketgame.org/)**
- *Countdown to Retirement* by VISA: Make choices about housing, transportation, and other common expenses to see how it affects your road to retirement.  
**[www.practicalmoneyskills.com/games/countdown/countdown.html](http://www.practicalmoneyskills.com/games/countdown/countdown.html)**
- *The Truth About Millionaires* by The Mint.org, Northwestern Mutual: Take this short quiz to test your knowledge of what it means to be a millionaire.  
**[www.themint.org/teens/the-truth-about-millionaires.html](http://www.themint.org/teens/the-truth-about-millionaires.html)**
- *When Will You Be a Millionaire?* by The Mint.org, Northwestern Mutual: How long will it take to become a millionaire? Answer that question by making different choices in this simulation.  
**[www.themint.org/teens/when-will-you-be-a-millionaire.html](http://www.themint.org/teens/when-will-you-be-a-millionaire.html)**
- *Bite Nightclub* by Financial Entertainment: Run a vampire nightclub while planning for retirement in this online game.  
**<http://financialentertainment.org/play/biteclub.html>**



## Theme 4: Borrow

**Topic Connections:** Connects with *Money Smart* curriculum in the classroom: Lesson 7 (Credit), Lesson 8 (Credit Cards), Lesson 9 (Understanding Financial Ratios), Lesson 12 (College and Student Loans), and Lesson 13 (Understanding the Economy).

### Topic Overview:

Life is full of big purchases, from college costs to buying a home to covering unexpected car repairs and medical bills. Borrowing money for major expenses is not uncommon, but there are some things to consider before you take out a loan. Knowing your debt-to-income ratio is one helpful tool to monitor your level of debt.

### From the classroom:

**What is credit? How do you become creditworthy?** Credit is the use of someone else's money for a fee. People borrow money for many different reasons, such as getting a student loan to pay for college or a mortgage to purchase a home. Being creditworthy means you can show lenders you are able to repay borrowed money when you promised. Creditworthiness is usually assessed by four items: capacity, which means you are able to meet your payments; capital, which determines the value of things you own; character, or how you have paid bills in the past; and collateral, or things of value you can use to secure the loan.

**How do you manage your credit? What is bad credit?** Managing credit effectively means repaying borrowed money based on the agreed-upon terms. For credit cards, paying off a balance in full by the statement due date and not using up all of the credit available to you is another good strategy. Bad credit happens from missing or making late payments, letting a credit card balance run higher and higher, and using credit to pay off existing credit (for example: using a credit card to make a loan payment). Also be aware that your credit score will likely lower if you owe a significant amount on your credit card compared to the card's credit limit.

**What is the difference between credit and debit cards?** Even though debit and credit cards look very similar, they use money in very different ways. If you use a credit card, you are borrowing money that you must pay back, in addition to interest if you do not pay the balance in full by the due date. But, if you use a debit card, which is issued by your bank and linked to your checking or savings account, the money taken from the account is yours and you will never incur interest charges. A debit card requires you to have enough money at the time you pay for something because it takes the money directly out of your checking account.

**How do you pay for college?** Aside from using savings and searching for scholarships to help pay for college, you can also apply for federal financial aid. The process begins by completing the Free Application for Federal Student Aid, also known as FAFSA. Student aid options include: grants and scholarships, which you do not have to repay; student loans, which have to be repaid with interest; and work-study programs, which allow a student to work and earn money while attending college.

**How do financial ratios affect me?** Financial ratios offer a snapshot of a person's financial behaviors, and lenders often consider ratios in determining whether you are creditworthy. A common ratio called "debt-to-income" is used to compare the amount of debt you have to the amount of income you earn. A high debt-to-income ratio signals to lenders that a borrower may struggle to meet monthly repayments. Your debt-to-income ratio excluding your rent/mortgage payment should be significantly lower than your net monthly income. Some lenders also compute your debt-to-income ratio at the exclusion of your rent/mortgage.

## Words To Know:

**Credit:** The ability to borrow money and pay it back later.

**Credit Card:** A plastic card that can be used to obtain credit (such as to purchase goods and services).

**Credit Card Accountability Responsibility and Disclosure Act:** A law that prohibits certain practices that are unfair or abusive. The law also makes the rates and fees on credit cards more transparent so consumers can understand how much they are paying for their credit card and can compare different cards.

**Credit Report:** A record of your credit - and some bill repayment history - and the status of your credit accounts. This information includes how often you make your payments on time, how much credit you have, how much credit you have available, how much credit you are using, and whether a debt or bill collector is collecting money you owe.

**Credit Score:** A number, roughly between 300 and 800, that measures an individual's credit worthiness. The most well known type of credit score is the FICO® score. This score represents the answer from a mathematical formula that assigns numerical values to various pieces of information in your credit report.

**Creditworthiness:** A creditor's measure of a consumer's past and future ability and willingness to repay debts.

**Debit Card:** A plastic card that can be used to deposit or withdraw cash from a checking or other bank deposit account, such as at automated teller machines or at retail locations that accept cards.

**Debt-to-Income Ratio:** A ratio that measures your monthly debt payments against your monthly gross income. To calculate, you divide your monthly debt by your monthly gross income. For example: if you pay \$200 each month for a car loan and \$1,000 each month for a home loan, your total debt payment each month is \$1,200 ( $\$200 + \$1,000$ ). If your monthly gross income is \$4,000, then your debt-to-income ratio is 30% ( $\$1,200 \div \$4,000$ ).

**Financial Ratios:** Useful indicators of financial performance.

**Free Application for Federal Student Aid (FAFSA):** The free application used to apply for federal student aid, such as federal grants, loans, and work-study.

**Student Loans:** A sum of money borrowed by an individual to help pay for college with the intent that it will be repaid at a future date, along with any agreed-upon interest.

## Conversation Starters ... Ask Your Child:

- When you want to borrow something from someone, how do you show people that you are trustworthy?
- Where do you think money comes from? What is the difference between cash, credit, and debit?
- What do you think it would be like to live in a cashless society?
- How do you know which credit offers are legitimate? How could you tell whether an offer was deceptive?
- How much will it cost to go to the college of your choice?

## What if My Teen Wants To...:

***What if my teen wants to get a credit card or debit card?*** The first thought that may cross your mind about letting your teen use a card is the potential dangers of overspending, especially with the popularity of online shopping. The Credit CARD Act of 2009 includes a requirement that anyone under 21 who wants to obtain a credit card must have a qualified co-signer on the account or must prove he or she alone can repay any debt. This is intended to protect young people from getting overwhelmed by credit card debt. But it also offers an opportunity to teach your teen about responsible use of credit cards. If you decide to co-sign for a credit card with a young adult, it is best to establish clear expectations with a written agreement about paying the credit card on time. As a co-signer, you are obligated to pay the debt to the lender if your teen can't or won't make the payments. Failing to pay the debt can damage your own credit report.

Debit cards can also be great tools to teach budgeting and making choices between needs and wants. If you feel your teen is ready to take on the responsibility of making purchasing decisions with his or her own money, you may consider setting up a joint checking account so that you can help your teen monitor cash flow. This creates an excellent opportunity to talk with your teen about the types of purchases he or she makes, the struggles and triumphs of managing money, how to use online banking, and how to read account statements. Be aware that young adults are likely to misjudge how far money will go, especially in the beginning. The learning curves, no matter how steep, are lessons that stick, and it helps to guide your teen through these bumps now under the shelter of your home rather than out in the real world, where financial consequences can be huge.

***What if my teen wants to take out a student loan?*** Fill out the FAFSA with your teen if you haven't done so already. This will help a school determine how much federal and state student aid your teen is eligible for. Next, research with your teen different types of aid such as work-study programs, grants, scholarships, and loan options. There are several types of federal student loans, and that information can be found at <https://studentaid.ed.gov/sa/types/loans>. Consider the minimum payments that will be necessary to pay off the loans, and how it compares to projected earnings.

***What if my teen wants to borrow money?*** If your teen wants to borrow money to buy a "want" item like a brand new car or the latest cell phone, offer suggestions for how the purchase could be made by creating a budget, saving, and working toward the goal. Help reinforce the idea that, while people often borrow money to make investments in themselves, such as through a college education, borrowing money for items that we want isn't always the smartest financial choice. If your teen is planning for college and considering borrowing money to pay for tuition, there are ways to reduce loan amounts by investigating scholarships, grants, and work-study programs by investigating scholarships, grants, and work-study programs at <https://studentaid.ed.gov/>.



## Family Activities:

**Compare Colleges:** If your teen is interested in going to college, help him or her research and compare the top three college choices. Use a resource such as College Scorecard at <https://collegescorecard.ed.gov/> to compare the cost of each, and discuss how much money would need to be saved or borrowed to cover expenses.

**Compare Credit Cards:** Save several credit card offers you may receive in the mail and show them to your teen. Talk about the different annual percentage rates, fees, penalties, and terms and conditions offered by each credit card issuer.

## Resources:

### Articles:

- *Providing Financial Aid: Saving for a Child's Future* by the Federal Deposit Insurance Corporation: Read tips for how to save and invest for future expenses such as a college education. [www.fdic.gov/consumers/consumer/news/cnfall12/parentsfinancing.html](http://www.fdic.gov/consumers/consumer/news/cnfall12/parentsfinancing.html)
- *The Financial Aid Process* by Federal Student Aid, U.S. Department of Education: Review the steps it takes to apply for and receive financial aid in this easy-to-read infographic. [www.studentaid.ed.gov/sites/default/files/financial-aid-process.png](http://www.studentaid.ed.gov/sites/default/files/financial-aid-process.png)
- *How Much Will College Cost in 25 Years?* by Kelli B. Grant, CNBC, Detroit Free Press: Read about how the cost of college will change over the next quarter century. <http://archive.freep.com/article/20140913/FEATURES01/309130060/college-cost-in-25-years>
- *Know Before You Owe: Credit Cards* by the Consumer Financial Protection Bureau: Read a sample credit card agreement and learn about how interest is calculated and what happens if late payments occur. [www.consumerfinance.gov/credit-cards/knowbeforeyouowe/](http://www.consumerfinance.gov/credit-cards/knowbeforeyouowe/)

### Online Tools:

- *FAFSA* by Federal Student Aid, the U.S. Department of Education: Get help paying for college by completing the Free Application for Federal Student Aid (FAFSA). <https://fafsa.ed.gov/>
- *Federal Student Aid* by Federal Student Aid, the U.S. Department of Education: Get help preparing for, applying to, and paying for college. <https://studentaid.ed.gov/>
- *Compare and Pay for College* by NerdWallet.com: Compare colleges and explore financial aid. [www.nerdwallet.com/nerdscholar/compare-colleges-and-pay](http://www.nerdwallet.com/nerdscholar/compare-colleges-and-pay)
- *College Board* by The College Board: Use this comprehensive website to research and plan for college. [www.collegeboard.org](http://www.collegeboard.org)
- *Stories* by I'mFirst.org, Center for Student Opportunity: Watch inspiring videos of first-generation college students and graduates. [www.imfirst.org/stories/#.VCoF5mRdVNs](http://www.imfirst.org/stories/#.VCoF5mRdVNs)
- *Credit, Loans, and Debt* by Consumer.gov: Read about using credit, credit history, and how to manage debt. [www.consumer.gov/section/credit-loans-and-debt](http://www.consumer.gov/section/credit-loans-and-debt)
- *Credit Reports* by AnnualCreditReport.com: Get access to your annual free credit report. [www.annualcreditreport.com/index.action](http://www.annualcreditreport.com/index.action)

- Debt-to-Income Ratio Calculator by Bankrate: Compare the ratio of your debt to your income. [www.bankrate.com/calculators/mortgages/ratio-debt-calculator.aspx](http://www.bankrate.com/calculators/mortgages/ratio-debt-calculator.aspx)
- When Will I Be Debt-Free? Calculator by CNN Money: Determine how long it will take to pay off debt, using this calculator. <http://money.cnn.com/calculator/pf/debt-free/>

### **Games/Apps:**

- Farmblitz by Financial Entertainment: You inherit a farm in this game where both money and crops must be managed and debt and savings balanced. <http://financialentertainment.org/play/farmblitz.html>
- Celebrity Calamity by Financial Entertainment: You are in charge of managing celebrity credit cards and spending in this game. <http://financialentertainment.org/play/celebritycalamity.html>
- Getting into College: The Best Apps to Use by NerdWallet.com: Learn about new college-focused apps. [www.nerdwallet.com/blog/nerdscholar/2013/getting-into-college-best-apps/](http://www.nerdwallet.com/blog/nerdscholar/2013/getting-into-college-best-apps/)



## Theme 5: Protect

**Topic Connections:** Connects with *Money Smart* curriculum in the classroom: Lesson 5 (Choosing a Banking Partner), Lesson 11 (Risk Management and Insurance), Lesson 18 (Estate Planning), Lesson 19 (Financial Resources), and Lesson 20 (Consumer Protection)

### Topic Overview:

With so many resources available online, it's tricky to know whom and what to trust when we're overloaded with ads, opportunities, and "get rich quick" schemes. Even though teens are growing up with technology all around them, knowing what personal information is OK to share and what information should remain private is still sometimes unclear. Creating a financial shield also means thinking about what risks you might encounter now and in the future, and thinking ahead for unforeseen circumstances through insurance and planning.

### From the classroom:

**How do financial institutions protect money?** The Federal Deposit Insurance Corporation (FDIC) insures all deposit accounts, including checking and savings accounts, money market deposit accounts, and Certificates of Deposit (CDs). Deposited money in insured financial institutions is guaranteed up to the maximum amount allowed by law (\$250,000 per depositor, per bank) if the financial institution goes out of business and cannot pay you your money. The National Credit Union Administration (NCUA) provides similar coverage of deposits in NCUA-insured credit unions.

**What financial resources are available?** You are your greatest resource! You are in the driver's seat of your financial car, so it is important to teach yourself how to find answers to your questions. Start with free resources from governmental agencies such as the FDIC. Other federal, state, and local government agencies also publish information and have staff and resources that can help answer questions on money matters. Visit [www.mymoney.gov](http://www.mymoney.gov), the federal government's one-stop resource for personal financial information. Financial institutions, consumer organizations, and the news media publish personal finance tips you can find by searching the Internet. You can also work with professionals, such as financial advisors and accountants, who can guide you in financial decision making.

**How do you know what resources to trust?** There are sometimes red flags for untrustworthy websites, including poor writing style, spelling or grammar errors, and lack of information about the author of the site. However, not everything written well on the web is a trustworthy site. Paying attention to other details such as domain names can offer some clues to the credibility of a website (for example: ".gov" means it is a government website, and ".edu" means it is an educational institution). It's also important to review credibility of financial professionals you choose to work with. A financial advisor is someone who offers financial advice, but if he or she is promising a return on your investment that sounds too good to be true, then it probably is! Financial experts should also be transparent with actions and fees, and you should be able to track down their credentials (for example: what type of education, training, and certifications they hold). For more

information, visit the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov), Financial Industry Regulatory Authority at [www.finra.org](http://www.finra.org), and Certified Financial Planners Board of Standards at [www.cfp.net](http://www.cfp.net).

***What types of insurance do you need?*** Insurance helps minimize financial risk when unforeseen events occur, like medical emergencies, a car accident, or even natural disasters such as hurricanes. People get insurance to help protect themselves in different situations, including health insurance, life insurance, auto insurance, and property insurance.

***What is an estate plan? And why do you need one?*** Who has control over your social media accounts and online identity if you die? Who should get your cash, retirement savings, and bank accounts? Who should have your jewelry, your car, and your mementos? These are all difficult questions, but ones that are answered in an estate plan, which includes a will and power of attorney. An estate plan gives you an opportunity to outline ahead of time what should happen with your possessions and money in the event of your death.

***What is identity theft, and how do you protect yourself?*** Identity theft is when someone illegally uses someone else's personal information, like full name and Social Security number, to get credit or money. Protecting yourself means paying attention and being alert to offers that sound too good to be true, acting quickly if you think your personal information is compromised, and taking precautions to limit opportunities for thieves to gain your data (for example: shredding old financial documents and "junk mail" credit offers, not oversharing on social media, keeping bank passwords to yourself, and creating strong passwords for online accounts).

## **Words To Know:**

**Auto Insurance:** A contract between you and an insurance company in which you agree to pay a fee (premium) and in return, the insurance company agrees to pay for certain expenses associated with an accident or other covered losses on your vehicle.

**Claim:** Request to an insurance company for payment for a covered loss under an insurance policy.

**Deductible:** The dollar amount or percentage of a loss that you have to pay before the insurance policy begins to pay.

**Disability Insurance:** Protects a person from loss of income due to a covered illness or injury.

**Estate Planning:** Planning for what will happen with assets or property after death.

**Health Insurance:** A contract that requires your health insurer to pay some or all of your health care costs in exchange for a premium (money paid).

**Homeowner's Insurance:** An insurance policy that covers a homeowner's house, other structures on their property, and personal contents against losses caused by such things as windstorms, fire, and theft. It generally also provides liability coverage (for example: this coverage would be applicable if you are found responsible for the injury of a friend who injures themselves while visiting you).

**Identity Theft:** When someone steals another person's identity to commit fraud, such as by using his or her name or Social Security number to get something. Identity theft is a crime.

**Insurance:** A contractual relationship that exists when one party (the Insurer), for a fee (the premium) agrees to reimburse another party (the Insured or third party on behalf of the Insured) for a specific loss.

**Life Insurance:** A form of insurance that will pay money to a beneficiary if the policyholder dies.

**Medicare:** A health insurance program for people who are 65 or older, certain younger people with disabilities, and people with permanent kidney failure requiring dialysis or a transplant. This program is financed by deductions from wages and managed by the federal Social Security Administration.

**Pharming:** Redirecting Internet requests to false Web sites to collect personal information, which is generally then used to commit fraud and identity theft.

**Phishing:** When fraudsters impersonate a business or government agency to try to get you to give them personal information, such as through an email or text message. Can also be thought of as “fishing for confidential information.”

**Power of Attorney:** A legal instrument authorizing someone to handle the financial or other business affairs of another person.

**Premium:** The amount of money that has to be paid for an insurance policy.

**Property Insurance:** Insurance to protect you against damage that may occur to your property.

**Text Message Spam:** Similar to e-mail spam, but on your cell phone. Criminals often text offers of free gifts or low-cost credit offers to try to get you to click on a link so they can install malware on your phone or get you to give them information they can use to commit fraud.

## **Conversation Starters ... Ask Your Teen:**

- What types of personal information do you think are OK to share with others, and why?
- What kind of insurance will you need when you live on your own?
- Why do you think it’s important to think today about your finances in the future?
- How do you decide whether a resource or website is trustworthy and credible?

## **What If My Teen Wants To...:**

***What if my teen wants to open a social media account?*** Most social media sites require users to be a certain age before creating an account. If your teen is of age and you feel he or she is ready to manage the responsibility of being online, discuss what information is OK to share and what information should be kept private. For instance, make sure your teen knows that under no circumstances should personal, identifying information like full name, address, Social Security number, and account passwords or numbers ever be shared. Talk with your teen about being selective with his or her “friends” online just as he or she would in real life. Some criminals may pretend to be “friends” or relatives in order to obtain personal information. For more information, read *Avoiding Fraud, Protecting Your Privacy: Best Practices for Young Adults* by FDIC Consumer News at [www.fdic.gov/consumers/consumer/news/cnfall12/avoidfraud.html](http://www.fdic.gov/consumers/consumer/news/cnfall12/avoidfraud.html). Additionally, keep discussions open by talking about the permanence of social media and how one post, even if deleted, never really goes away.

**What if my teen wants to play an online game?** Like setting up social media accounts, your teen should comply with the legal age of use set by the game. If you feel your teen is responsible enough to play, monitor use closely. Does the game require a credit card in order to play? Does the game include communication and interaction with other players that your teen may or may not know in real life? These are all important elements to consider before determining whether your teen is ready to play online.

**What if my teen has already shared personal data?** If your teen has shared personal data, be on alert for warning signs of identity theft. If a criminal has obtained personal information such as a Social Security number, they can use it to open bank and credit card accounts, apply for government benefits, or apply for a loan. For a list of warning signs, visit the Federal Trade Commission's (FTC) Child Identity Theft website at [www.consumer.ftc.gov/articles/0040-child-identity-theft#Warning](http://www.consumer.ftc.gov/articles/0040-child-identity-theft#Warning). If you are certain that your teen's identity has been stolen, the first step to take is to place a fraud alert immediately. Taking action quickly minimizes the damage that can be done if an identity thief has stolen personal data. The FTC outlines the immediate steps to take to repair identity theft at [www.consumer.ftc.gov/articles/0274-immediate-steps-repair-identity-theft](http://www.consumer.ftc.gov/articles/0274-immediate-steps-repair-identity-theft). Once a fraud alert is set, you will want to order your teen's credit report and then create an identity theft report, instructions for which can be found at the website above.

## Family Activities:

**Wallet Review:** If your teen carries a wallet or purse, go through it together and discuss what information he or she may be carrying that could potentially cause financial stress if stolen (for example: a driver's license, debit card, Social Security card). Or use your own wallet or purse as an example.

**Shred "Junk Mail":** Have your teen help you sort and shred financial documents that are old or that you don't need. For example: you could shred "junk mail" credit offers or even old receipts and papers that list your address and other personal information. Discuss why it's important to shred instead of throwaway personal papers.

**Learn How You're Protected:** Arrange a meeting to take your teen with you to visit a bank representative and discuss what type of protection and services the bank provides in response to identity theft.

**Meet an Insurance Agent:** If you work with an insurance agent, take your teen with you to review your current insurance policy, and encourage your teen to ask questions about coverage, cost, and protection. If visiting an agent isn't possible, you may also show your teen your family's insurance policy when paying bills and use it as an opportunity to discuss the costs and protection for different policies.

**Social Media:** If your teen is already on social media, use his or her account(s) to discuss positive and negative instances of social media participation (you may also use your own social media account or use an Internet search engine to locate news stories about oversharing online). Use real-life examples to discuss why oversharing personal information can be harmful and how it exposes you to identity theft.

**Internet Search:** Have your teen use an Internet search engine to type in his or her name and see what search results appear. Use the results as an opportunity to discuss with your teen how easy it is to get information on oneself online. You may also try searching your name and those of family members to further reinforce the availability of information about ourselves on the Internet.

## **Resources:**

### **Articles:**

- *4 Ways to Protect Your Teen from Identity Theft* by Abby Hayes, U.S. News: Read tips for how to avoid identity theft.  
**<http://money.usnews.com/money/blogs/my-money/2014/06/22/4-ways-to-protect-your-teen-from-identity-theft>**
- *Shopping for Auto Insurance* by the American Institute of Certified Public Accountants: Learn how to shop for auto insurance; from determining how much coverage you need to comparing value.  
**[www.360financialliteracy.org/Topics/Insurance/Cars-and-Auto-Insurance/Shopping-for-Auto-Insurance](http://www.360financialliteracy.org/Topics/Insurance/Cars-and-Auto-Insurance/Shopping-for-Auto-Insurance)**
- *Comparing Health Insurance Plans* by the American Institute of Certified Public Accountants: Learn how to compare and contrast health insurance plans.  
**[www.360financialliteracy.org/index.php/Topics/Insurance/Health-Care-and-Health-Insurance/Comparing-Health-Insurance-Plans](http://www.360financialliteracy.org/index.php/Topics/Insurance/Health-Care-and-Health-Insurance/Comparing-Health-Insurance-Plans)**
- *Writing a Will* by USA.gov: Read about what goes into writing a will, as well as how to write a social media will to describe how you would like your social media accounts handled in the event of death. **[www.usa.gov/topics/money/personal-finance/wills.shtml#Write\\_a\\_Social\\_Media\\_Will](http://www.usa.gov/topics/money/personal-finance/wills.shtml#Write_a_Social_Media_Will)**
- *Understanding Trusts* by USA.gov: Read about types of trusts and reasons for setting one up.  
**[www.usa.gov/topics/money/personal-finance/trusts.shtml](http://www.usa.gov/topics/money/personal-finance/trusts.shtml)**
- *Prepare Your Estate Plan* by eXtension.org: Read an overview of how to create an estate plan.  
**[www.extension.org/pages/15749/prepare-your-estate-plan#.VCqGiWRdVNt](http://www.extension.org/pages/15749/prepare-your-estate-plan#.VCqGiWRdVNt)**
- *What You Can Do to Avoid Investment Fraud* by Investor.gov: Read tips on how to avoid being a victim of investment fraud.  
**<http://investor.gov/investing-basics/avoiding-fraud/what-you-can-do-avoid-investment-fraud#.VCqlwWRdVNt>**
- *Types of Fraud by Investor.gov*: Read about different types of investment fraud and how to avoid them. **<http://investor.gov/investing-basics/avoiding-fraud/types-fraud#.VCql-GRdVNt>**
- *Taking Charge: What to Do if Your Identity Is Stolen* by the Federal Trade Commission: Read about immediate and next steps to take if you believe your identity has been stolen.  
**[www.consumer.ftc.gov/articles/pdf-0009-taking-charge.pdf](http://www.consumer.ftc.gov/articles/pdf-0009-taking-charge.pdf)**
- *When a Criminal's Cover Is Your Identity* by the Federal Deposit Insurance Corporation: Read an overview of identity theft and a prevention checklist.  
**[www.fdic.gov/consumers/privacy/criminalscover/index.html](http://www.fdic.gov/consumers/privacy/criminalscover/index.html)**

### **Online Tools:**

- *Life Insurance Calculator* by the American Institute of Certified Public Accountants: Use this online calculator to determine how much life insurance you need.  
**[www.360financialliteracy.org/index.php/Topics/Insurance/Life-Insurance/Life-Insurance-Calculator](http://www.360financialliteracy.org/index.php/Topics/Insurance/Life-Insurance/Life-Insurance-Calculator)**
- *Financial Fraud in the United State* by SaveAndInvest.org: Review statistics on identity theft and fraud and learn how to protect yourself.  
**[www.saveandinvest.org/web/groups/sai/@sai/documents/sai\\_original\\_content/p339651.pdf](http://www.saveandinvest.org/web/groups/sai/@sai/documents/sai_original_content/p339651.pdf)**
- The Federal Trade Commission offers resources that describe the warning signs of child ID Theft, how to check for your child's credit report, steps to go about repairing a child's credit damage, how to prevent and protect against ID Theft, and what to do when a child turns 16.  
**[www.consumer.ftc.gov/articles/0040-child-identity-theft](http://www.consumer.ftc.gov/articles/0040-child-identity-theft)**
- StopFraud.gov by the Financial Fraud Enforcement Task Force: Learn about what financial fraud is and how to protect yourself from it, as well as what to do if you think your personal information has been compromised. **[www.stopfraud.gov](http://www.stopfraud.gov)**

### **Games/Apps:**

- *ID Theft FaceOff* by OnGuardOnline.gov: A quiz-style game reviewing what to do if your identity has been stolen. **[www.onguardonline.gov/media/game-0005-id-theft-faceoff](http://www.onguardonline.gov/media/game-0005-id-theft-faceoff)**
- *Spam Scam Slam* by OnGuardOnline.gov: A quiz-style game reviewing types of spam and scams. **[www.onguardonline.gov/media/game-0012-spam-scam-slam](http://www.onguardonline.gov/media/game-0012-spam-scam-slam)**
- *The Case of the Cyber Criminal* by OnGuardOnline.gov: You work to stop a spy from stealing your personal information in this game. **[www.onguardonline.gov/media/game-0013-case-cyber-criminal](http://www.onguardonline.gov/media/game-0013-case-cyber-criminal)**
- *Phishing Scams* by OnGuardOnline.gov: Practice avoiding the bait of phishers in this game. **[www.onguardonline.gov/media/game-0011-phishing-scams](http://www.onguardonline.gov/media/game-0011-phishing-scams)**