



BOOK 2 OF 4

SMART START FINANCIAL LITERACY SERIES:

BUILDING A STRONG BASE IN ELEMENTARY SCHOOL

ARE YOU READY TO KICKSTART YOUR CHILD'S FINANCIAL FUTURE?

As parents, we work to provide our children with everything they need to be happy and healthy and to prepare them to be successful when they are adults. When they are little, we focus on their physical well-being. We monitor what they eat and drink, and make sure they are brushing their teeth and getting to bed on time. As they get older, we help them with their homework and monitor who their friends are so they can do well in school and have positive peer influences. Children look to the adults in their lives to teach them about the world around them and to provide guidance on everything they need to know.

Unfortunately, when it comes to personal finance, many adults aren't sure how to teach the kids in their lives how to make the right decisions. Many parents and caregivers never learned the basics of personal finance themselves. According to the 2017 Consumer Financial Literacy Survey conducted by the National Foundation for Credit Counseling and the Boeing Employees Credit Union, only about 40% of respondents have a budget and track their finances. 27% are saving nothing for retirement. These are just a few indicators that show the struggle many have with debt management and saving for the future.

The AmeriChoice Smart Start Financial Literacy e-book Series for Parents is designed to help address that gap. It will provide you useful tips and tactics for activities in six categories that you can do with your kids to help them be more money savvy.

This book provides ideas to use during the elementary years when kids are between 6-10 years old. By this age, kids should have an understanding of the basic money concepts of earning, saving, spending and giving. Now is the time to help them really be able to distinguish between wants and needs. During the elementary years kids are also able to begin to understand the concept of delayed gratification, making it the perfect time to help them learn how to set goals and strive toward those that require an investment of time, energy and money.



TOPICS COVERED IN THIS GUIDE:

This four book series provides you with age-by-age ideas on how you can help prepare your kids for a secure and solid financial future. The full series addresses a full range of topics, focusing on steps you can take at each age related to:

- Basic Money Concepts
- Earning
- Budgeting
- Saving & Spending
- Borrowing
- Investing





EARNING

As basic money concepts take shape, it makes sense to start to tackle the question of how people get money to begin with.

Elementary Concepts

Kids this age know that parents work, but they likely do not yet understand how or why different jobs pay the people that do them. Explaining the basics of this now can help children start to think about ways to evaluate the kinds of jobs they might like in the future.

- **Different kinds of jobs pay people for different things:** Some jobs pay people based on the number of hours they are at work. These are called hourly, or non-salaried jobs. Other jobs pay people a fixed amount no matter how many hours they are actually at work, these are called salaried jobs.

- **Money can be earned even if you don't work for someone else:** Some people work for themselves. These people may make items or provide services directly to the people who need them. Those people, their customers, give them money in exchange for the things they have made or the service they have provided.

- **Different jobs pay people different amounts:** Even though all jobs and work are important, not every job pays the same amount of money. Jobs that require special training or more school often pay more than those that do not need as much preparation.

- **Everyone pays taxes:** Taxes are paid by everyone and are what is used to make the government run. They pay for things like roads, the military, scientific research and other services that we all benefit from. Since we all benefit, we all have to pay.

Ideas You Can Use

- Provide your kids with a modest weekly allowance in exchange for the completion of specific chores so that they have their own funds to use for practicing the basics of saving, spending and sharing.
- In addition to regular chores, consider setting up special projects for which you would be willing to pay your children extra money as a way to show that some work can pay more than others if it is extra difficult or special in some other way.
- Pulling weeds for a fixed price per weed is a great way to have kids experience the relationship between actual output (productivity) and the amount of money they can earn.
- Pay your kids in small denominations so that they can actively separate their funds into different containers.





BUDGETING, SAVING, & SPENDING

Elementary Concepts

Elementary school students can be introduced to the concept of a budget as a plan that helps people be sure that they have enough money for the things that they need as well as a way to save for the things that they want.

- **What is a budget?:** This money plan tracks how much money is coming in and how much is leaving, as well as what it is being used for. Having this plan helps to make sure that you can afford what you need.
- **Why saving is important:** Even though budgets are supposed to help you have enough money for expenses, sometimes emergencies occur. Saving is an important step to being able to get through unexpected surprises.
- **Cash isn't the only way to spend money:** Whether it is writing a check, using debit or credit cards, Apple Pay, Venmo or any number of other electronic payment channels, you are still spending money, and you still need to have the funds in place to cover the cost of the items you are purchasing.

Ideas You Can Use

- Work with your kids to have them set a budget for how much of their weekly allowance should go into the Spend, Save and Share accounts.
- If your child has a special item he/she would like to purchase, set up a special Savings jar and set aside money to reach that purchase goal.
- Set up a ledger in which you and your child can track expenses so they can see the effects of spending and saving over time.
- Include your kids in planning the weekly meals and grocery list so they can see how your budget works. Modeling the behavior you want to see from your kids is the best way to ensure that they pick up these good habits.





BORROWING

Once there is an understanding of the way that money and goods are exchanged, kids can gain an appreciation of what it means to borrow money and be expected to and repay it.

Elementary Concepts

Kids in this age range are ready for more abstract concepts of credit, interest and fees as well as creditworthiness. The concept of creditworthiness can be well illustrated by asking kids to think about peers to whom they would be unwilling to loan items and why that would be.

- **What credit is:** Credit is a loan of money from a person or bank. Using credit can allow a person to make purchases or spend money, even if they don't have it at that time. In exchange for borrowing the money, the borrower must also pay interest and fees. This means that the item you purchase actually costs you more than if you had been able to pay cash.

- **How you get credit:** People who borrow money and pay it back quickly and completely become seen as good borrowers. This in turn allows them to borrow more money in the future.

Ideas You Can Use

- Help them understand creditworthiness by asking them to describe the characteristics of a person to whom they would be willing to loan a prized personal possession.
- Ask your child why they would be willing to loan items to others to use and then explain why banks loan people money.
- Help your child understand how credit cards work by explaining the importance of paying balances in full each month. Present them with the consequences if payments are not made.
- After explaining credit, ask your child to determine which of two scenarios would be a good reason to use credit and when saving for a purchase would be a better plan.





INVESTING

Teaching kids that money can be put to work and increase through sound investment starts a little later than the other foundations. Smart investments go a long way to helping improve financial futures, as can getting started in investing early.

Elementary Concepts

- **What an investment is:** Unlike simply saving where you just don't send your money, when you invest in something, you are letting someone else use your money with the goal of having it make you more money.
- **Interest is the money that is earned:** When you make an investment, you have an expectation of how much more money you will get back. The extra money that comes back to you is the interest you earn.
- **Compound interest grows faster:** Compound interest means that you earn money not only on the amount you initially invested, but also on the earnings that grow along the way.
- **Investments are about tomorrow:** Investing is not a quick fix. It is about building a way to achieve long-term future financial goals.

- **Invested money is working for you, but you can't spend it:** When you choose to invest money, it is working for you and at some point, you should receive more money back. But until then, you can't use that money for other things. This is the tradeoff you make to be able to earn interest.

Ideas You Can Use

- Do a simple interest calculation with your child on a small investment amount that he/she might be able to achieve. Then use the same numbers, but for compound interest. Discuss how the two compare.
- Find the list of options available for a small dollar investment at your financial institution and select one for your child. Monitor how the balance changes over time.

The "Interest"ing Bank

Teach your kids about the magic of interest with this simple activity.

- 1) Each week work together to count how much money is in their piggy banks and write it down.
- 2) Before the count, add money based on how much is currently in the bank, so if there is \$5.00, you could add 50 cents, or 10% of the value of the bank.
- 3) The next time you count the money, talk about how the money grew "overnight" thanks to earning interest.
- 4) Before the next week's count, again add 10% of the value of the bank, so in this example 55 cents.
- 5) Do this for a few months and be sure to talk about how much the interest payments increased and built on themselves to give your child more money.

TAKE ACTION!

AmeriChoice FCU's youngest members can join the Dollar Dog Kids Club. This program is specially designed to assist parents and caregivers in providing financial education to the children in their lives.

Bring your child to the credit union to join the club and they will receive the tools to help them get started learning about money and saving. Children receive a piggy bank, savings passbook and a punchcard for deposits.

Get "Punched" & Get Rewards!

To encourage good savings habits, for every deposit of \$10 or more, your child earns a reward. They can choose whether they want instant gratification by selecting a toy at the time of the deposit, or they can get a punch on their punchcard. Each quarter, for every 10 punches they earn a \$5 reward added back into their account!

The Dollar Dog's Clubhouse

The Dollar Dog Kids club also has a great online clubhouse with fun activities in a safe digital environment that teaches kids valuable money skills while they are playing games!

Talk to a representative at AmeriChoice to see what else we have in store to help prepare your little one for a bright financial future!



DOLLAR DOG MEMBER EXTRAS!

- An Official Membership Card
- A Dollar Dog Savings Passbook
- Online Fun at Dollar Dog's Clubhouse
- Prizes
- Contests
- Celebrations
- Special Events
- A Punch Card to Earn Great Prizes and Money!

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