



**BOOK 3 OF 4**

**SMART START FINANCIAL  
LITERACY SERIES:**  
MONEY SKILLS FOR TODAY'S TWEENS

# 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 gives you tools and ideas to use as your kids move through their middle school years, between the ages of 11-14. By middle school kids are ready to start learning about credit and debt, interest and the importance of budgeting. While kids this age don't generally have an independent income there are many ways to provide them with the ability to manage a personal budget, whether for school lunches or to be able to afford the "wants" that are on their wish lists.*



## 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

With basic money concepts in place, it makes sense to start to tackle the question of how people get money to begin with.

### Middle Grade Concepts

By the middle grades, kids are thinking about what they want to do for work in a more serious way than when they were younger. Their ability to participate in activities that allow for earning money are also increasing as they get older.

- ***Work can be built around your interests:***

Paying attention to the things that interest you and what you like to do is a great place to start when considering what kind of a job you want to have.

- ***Explore a variety of career options:***

There does not have to be a direct connection between your interests and one particular career. For example, if you like animals, maybe becoming a veterinarian makes sense. Or perhaps what you enjoy about animals is training and playing with them, so while becoming a vet does not appeal to you, being a trainer or owning your own doggy-daycare might. Be flexible when you think about all the ways in which you might be able to build on your interests to turn them into a career.

- ***Taxes change how much money goes into your bank account and how much you pay for things:*** When you start earning money, your paycheck will be smaller than you expect because money is sent from your paycheck to the government to pay your taxes. You will also see that when you buy certain items at a store, the amount you owe at the cash register is more than the price shown on the tag or shelf. The government uses both of these approaches to pay for the services that benefit us all, like police and roads.

### Ideas You Can Use

- Take your kids with you to work so they can see what you do all day.
- Look for friends or acquaintances that work in the career areas of interest to your child and see if they would be willing to talk to your child or set up a day of job shadowing.
- Help your child research the kinds of educational and training requirements for the various careers that interest them.
- Help your child understand the average salaries for the various careers that interest them.



# BUDGETING, SAVING, & SPENDING

## Middle Grade Concepts

By the middle grades, kids are mature enough to start thinking further out into the future and considering a variety of ways in which money might be used. This is also the time to begin training kids to consider possible negative outcomes where additional money might be useful and to weigh the pros and cons of their money choices.

- **Set goals:** Budgeting should consider not only the expenses and income you have today, but the things that you would like to accomplish in the future. Determining what goals you would like to accomplish, and the money you will need to get there is important to creating a budget that will work for the long-term.

- **Money management is an ongoing task:** Monitoring how much money you have and being aware of what expenses have already been paid and which ones are waiting is an ongoing task, best managed regularly. If not looked after, it is very easy for account balances to go askew or payments to be missed.

- **Everyone should have an emergency savings fund:** Unexpected changes, like losing a job, a car accident or a serious injury can change how much money you are making. Having money set aside specifically for these kinds of scenarios can help you avoid going into debt.

- **Sometimes it costs money to spend money:** While there are many forms of payment today, each of them can have costs associated with them that may not be immediately obvious. Kids need to learn the right questions to ask so that they can make informed decisions about what kind of transaction makes the most sense for them.

- **If you spend the money today, what will you be missing out on tomorrow:** This idea is called opportunity cost and it builds on the understanding that once money has been spent, it is no longer working for you, it is working for someone else. By spending today, you have given up the opportunity to do something else with it tomorrow that may have cost you less, made you more money or been more enjoyable.

## Ideas You Can Use

- Establish a budget for school lunches and stick to it. Consider providing an incentive for staying under the planned amount, treating unused funds as additional savings that can be used for other items that your child may want to buy.
- Visit a local credit union and learn how it is different from traditional banks and how that can be beneficial to your child.
- Set up a savings account at a local credit union or bank and help your child learn how to both deposit and withdraw funds.
- Help your child develop a standard set of questions to use to determine the opportunity costs of spending decisions and help prevent buyer's remorse.
- Discuss the role of marketing and advertising in influencing purchasing decisions.
- Review together what items are subject to sales tax and what that means when planning a budget.
- Take a long trip to the grocery store and explain to your child how to evaluate pricing, comparing items on their unit prices, and not just the final cost. Have them determine which products are the better deal.

# OPPORTUNITY COST CHECKLIST



**BEFORE MAKING YOUR NEXT PURCHASE USE THIS CHECKLIST TO  
ANSWER FOR YOURSELF IF BUYING NOW MAKES SENSE**

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- Do you need or want the thing you are considering spending money on?
- Does it solve any other problems or have any other benefits that you will be able to enjoy?
- What problem are you trying to solve by getting this item?
- How long do you think you will be able to use or enjoy the thing you are considering?
- Do you have any other things available to you to solve the problem already?

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## 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 repay it.

### Middle Grade Concepts

Middle schoolers are ready to start evaluating when purchasing items using credit is a good idea and when it is not. This is also a good time to introduce some of the downsides of not managing credit effectively.

- **How credit helps:** Purchasing items on credit allows people to use the item while it is still being paid for. This means that the buyer gets immediate benefit. Credit can also be important for dealing with emergencies if your emergency savings account is not large enough to cover the unexpected expense.
- **Knowing when to use credit:** Before using credit, think through all your options and recognize the potential limitations or problems that you may be taking on. Credit should not be used to buy things that you cannot afford in your budget. Buying an item today knowing that you will be able to pay for it in two weeks is very different from buying something that you have no idea when you will have the actual money for.

- **Cost of credit:** If your loan has a long repayment time and low monthly payments, you will be paying more for having borrowed the money. Credit cards often have low required monthly payments and very long repayment timelines. The result is that you pay significantly more for every item you bought on credit than if you had been able to purchase with cash.
- **Credit problems:** If loans aren't repaid on time, or if payments are late, there are consequences for the borrower. The organization behind the loan can legally do things like take money from your paychecks and repossess your purchases. These kinds of credit problems also ultimately mess up your credit score, which makes it harder for you to borrow money in the future.

### Ideas You Can Use

- Play a quiz game with your kid, asking which scenarios are good times to use credit and which are not.
- Explain how credit cards are different from debit and gift cards.
- Make a small loan to your child for an item he/she wishes to purchase with interest that compounds daily. Track the increasing price of the item on a board that is visible so your child can see how much the item ultimately costs.





## 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 can go a long way to helping improve financial futures, as can getting started in investing early.

### Middle Grade Concepts

Knowing what an investment is must be followed by an understanding of why people should invest, what the options are and how people decide what kind of investment is right for them.

- **Investing early helps build wealth:** Because interest accrues over time, opening an investment account at a young age gives you the maximum amount of time to watch your interest (profit) grow.
- **Investment can be risky:** There are many kinds of investment accounts for people to participate in. While the hope is that an investment will create money for those who put money in, there is no guarantee that this will happen. And some investments are riskier than others. Usually, if an investment is riskier, it can also earn you more money if it is successful. Each person has to decide how risky the different investments are and then make a choice that fits with their priorities.

- **Investments are also taxed:** Just like income, the government also taxes the money that investments earn. This is paid to them when the investment is turned back into cash for the investor.
- **Some investments are insured:** While many investments are risky, basic savings and checking accounts that do provide interest can be insured up to certain dollar amounts by the federal government. This means that your money is safe in those accounts.
- **Others are not:** Stocks, bonds, mutual funds and other investment accounts are not insured. This means that it is possible to put your money in and never get any of it back out.

### Ideas You Can Use

- Explain how a long-term investment strategy can help with long-term financial stability by using specific examples and showing how interest compounds over time.
- Select a stock to investigate with your child. Look back at performance over the past several years and then watch to see what happens next. Determine if you would classify it as risky, moderate or safe.
- Explain the role of the stock market in investments.
- Discuss the ways in which investments are like games or gambling and the ways in which they differ.



## **TAKE ACTION!**

At a time when research is indicating that young workers are those most at financial risk, one of the best things you can do is to spend time improving your child's financial literacy.

AmeriChoice FCU provides members with a variety of Youth Accounts and tools specially designed to help provide your kids with the features, benefits and tools they need to be financially free.

### **The MyChoice Teen Club**

As the end of elementary school approaches, the My Choice Teen Club provides great options for kids between the ages of 13-17. Special accounts are only the beginning:

#### ***Cash Rewards and Challenges***

Just like the punchcard for Dollar Dog members, AmeriChoice is investing in developing good saving habits with a cash incentive program. When kids make a deposit of \$25 or more into their MyChoice account, they earn a stamp. When they get 10 stamps, a \$10 reward is deposited into their account! (Limit of one cash bonus per calendar quarter).

Each month, we also have fun interactive challenges on our Instagram as well as fun giveaways only for MyChoice Members!



### ***Scholarships and Activities Loans***

AmeriChoice awards three \$250 scholarships to high school seniors who are MyChoice Teen Club Members each year! Details on the scholarship are posted each January on our website and social media pages.

We also offer loans to help pay for special student related needs, such as school activities, sports, dances, uniforms, a new laptop, anything your child might need for school.

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



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