MONEY CONFIDENT Kids®

presented by T. Rowe Price℠

TEACHER'S GUIDE

A supplement to *Money Confident Kids®* high school magazine

DEAR TEACHER,

Welcome to this special supplement to *Money Confident Kids®* high school magazine from T. Rowe Price. This edition is designed to provide your 9th- to 12th-grade students with insight into why it's so important to learn how to make well-informed financial decisions. We hope that the articles in this issue will provide a catalyst for classroom discussions about making wise spending choices.

Confident understanding of financial concepts is vital to a young person's future, and we hope that this special issue will be part of building a strong foundation of financial understanding for all of your students.

Enjoy!

What's Online?

www.scholastic.com/MCK

DOWNLOADABLE PDFs

- *Money Confident Kids®* high school magazine
- Language of Money glossary
- Costly Crossword puzzle
- Amazing Money Maze activity
- Spending Tracker tool

STAR BANKS ADVENTURE

Engage students in this exciting game that teaches positive financial behaviors.

RESOURCES

- 30 Days of Financial Fitness family activity
- "Basic Concepts Children Should Know" article

VIDEOS

- "What Kids Say About Money" videos

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LESSON ONE

THE CHOICE IS YOURS

OBJECTIVE: Students will develop a list of decision-making criteria, then use that criteria to make a financial plan to reach a short-term goal, a financial goal that can be accomplished within 2 years. (Medium-term goals are 2–5 years; long-term goals are more than 5 years.)

TIME: One class period

MATERIALS: *Money Confident Kids*® high school magazine, Action Plan Worksheet on page 8

INTRODUCTION:

As a class, discuss the thinking process that consumers use before and during the buying process of a product, such as a cell phone or laptop. Discuss the differences between "wants" and "needs" as related to this type of purchase. Ask students to explain what they feel the role of advertising is in influencing the decision-making process.

PROCESS:

To develop background knowledge, have students read the articles on pages 2 and 3 of *Money Confident Kids*® high school magazine. Then have the students work in pairs to develop a list of 4–5 critical questions on the Action Plan worksheet that they should ask themselves before making any significant purchase (e.g., Is this purchase a "want" or "need"?). Have the partners use their decision-making criteria to develop a step-by-step action plan for purchasing an item of significant value (such as a gaming system, laptop, or musical instrument). Criteria may range from product research to finding the best price. Action plans should include specific details from their criteria lists in regard to the products they have decided to purchase. The action plan should also include relevant financial details such as the source of the money for the purchase and short-term goal setting.

WRAP-UP:

Have each pair of students meet with another pair of students to share and discuss their lists of decision-making criteria as well as their buying action plans. Tell them to look for commonalities between their decision-making criteria lists and buying action plans, and evaluate the strengths and weaknesses they observe. If time allows, as a whole class, develop a single list of 4–5 critical decision-making criteria for making purchases. Post the list in the classroom for future reference.

LESSON TWO

MAKING A BUDGET

OBJECTIVE: Students will evaluate a household budget, develop specific short-term and long-term financial goals, and develop a plan for reaching those goals. (Note: A short-term financial goal can be accomplished within 2 years; medium-term goals in 2–5 years; and long-term goals in more than 5 years.)

TIME: One class period

MATERIALS: Sample Budget

INTRODUCTION:

As a class, discuss the role of a budget as a part of responsible financial planning. What does a budget offer? Also discuss the concept of a time horizon in relationship to financial goal setting.

(**Time Horizon**—The expected number of months or years a consumer will be investing to achieve a particular financial goal. For long-term goals, such as buying a house or saving for college, stocks are often used since they carry the possibility of greater financial growth, but note that stocks carry the possibility of greater losses too. Conversely, short-term goals may require more conservative investment strategies such as bonds or savings accounts.)

PROCESS:

Tell students that they will be given a sample household budget. After reviewing the budget, have them add an "entertainment allowance" as well as a short-term and long-term goal (identifying the specific goal, such as a new car, vacation, or retirement). Have them calculate the monthly income they will need to make their budget requirements as well as their short-term and long-term financial goals.

SAMPLE HOUSEHOLD MONTHLY BUDGET:

SALARY: $___________/ mo

EXPENSES:

MORTGAGE/RENT	$900
UTILITIES	$250
CAR INSURANCE	$250
CAR EXPENSES	$80
FOOD	$350
CELL PHONE	$100
SHORT-TERM GOAL ___________________________	$___________
LONG-TERM GOAL ___________________________	$___________
ENTERTAINMENT ALLOWANCE (movies, concerts, etc.)	$___________
TOTAL MONTHLY EXPENSES	**$**___________

WRAP-UP:

Divide the students into small groups to share their budgets. Have them evaluate the feasibility of maintaining their budgets in real life. Tell the students to identify items that may be missing from the budget. Ask them how this budget might impact their views on financial management in the future.

LESSON THREE

SAVINGS GROWTH OVER TIME

OBJECTIVE: Students will explore the concept of compound interest in setting financial goals for retirement.

TIME: One class period

MATERIALS: *Money Confident Kids®* high school magazine

INTRODUCTION:

Discuss the major types of investment tools that are used in financial planning, including the risks and rewards that are associated with each: stocks, bonds (treasuries, municipal bonds, and corporate bonds), and cash and cash equivalents (such as savings accounts, certificates of deposit, money market deposit accounts, and money market funds). Refer to the glossary at the end of this teacher's guide for definitions.

Optional: Engage your class in a short research period in which groups are assigned to research the investment tools mentioned above. They should then present their findings to the class.

PROCESS:

Have the students read the articles on pages 4–5 of *Money Confident Kids®* high school magazine. Explain that they are going to be given the challenge of creating a 30-year financial plan for their retirement that will have a value of at least $1,000,000. Students will use online compound interest calculators to discover the required monthly savings amount as well as the rate of interest that is necessary to achieve their goals.

To begin, have students calculate the final value of investing $100 every month at an interest rate of 4% annually for 30 years. (Result: $67,626.27) Have the students explore various combinations of monthly deposits and interest rates to yield a value of at least $1,000,000. Put a cap of 18% on possible interest rates to be used.

Optional: Have students create a 40-year financial plan designed to reach the same million-dollar result. Have them compare their 30-year and 40-year plans.

WRAP-UP:

Ask students to share their results. Ask them why stock and bond investments may be necessary for them to reach long-term financial goals as adults, rather than simple savings accounts.

LESSON FOUR

CREDIT AND WHAT IT'S GOOD FOR

OBJECTIVE: Students will evaluate the role of credit in making purchases and learn the importance of maintaining a good credit score.

TIME: One class period

MATERIALS: *Money Confident Kids*® high school magazine

INTRODUCTION:

Ask students to share their ideas on why consumers use credit cards to make purchases. Ask: What advantages and/or disadvantages, if any, do you perceive in the use of credit cards?

PROCESS:

Have students read the articles on page 5 of *Money Confident Kids*® high school magazine. After reading the articles, ask the students if their views on the use of credit cards has changed. What factors might they consider before making a credit-card purchase? Share these tips for obtaining and using credit cards:

- Shop around for the type of credit card that is right for you. Read the details. Don't be fooled by low introductory interest rates that soar after a few months.
- Be wary of credit cards that offer rewards or cash back. If you don't pay off your balance every month, the cost of the interest is almost always greater than the value of the rewards or cash back.
- Before using a credit card to make a purchase, ask yourself if you will still have the item that you purchased by the time you pay off the credit card.
- Pay off the entire credit-card balance on time every month. If you are unable to pay off the entire amount, you may want to consider saving more before making the purchase.
- Don't trust anyone with your card and keep all personal information secure.

Ask students to add their tips for wise credit-card use to this list.

Share this list for helping students to improve their credit scores:

FIVE THINGS YOU CAN DO TO IMPROVE YOUR CREDIT SCORE

DO: Pay your bills on time. Payment history affects about 35% of your score.

DON'T: Open too many new accounts

DO: Check your credit report annually. At annualcreditreport.com, the reports are available for free once a year.

DON'T: Close old, unused credit-card accounts. A card that you've had for a few years is better for your score than one you've just obtained.

DO: Develop a credit history by getting at least one credit card and using it responsibly so that credit bureaus can begin to follow your credit history. Use the card to make a small purchase each month and pay off the balance immediately when the bill is due. This helps establish good credit.

DON'T: Sign up for store credit cards just to get a discount on a purchase. Each credit report request can have a negative impact on your credit score.

DO: As you get older, mix up the types of credit that you use over time. Lenders like to see that you can manage different types of debt like major credit cards, store credit cards, and loans, such as a car loan.

DON'T: Max out your credit card. Keep credit balances at 25% or below your total credit limit.

Optional: Then have the students research "horror" stories of credit-card use gone bad. Have them share these "horror" stories with the class.

EXTENSION:

Tell students that landlords often use credit scores before leasing an apartment to a prospective tenant to evaluate the tenant's financial responsibility and the likelihood that the tenant will pay his or her rent on time. Have the students evaluate the financial responsibility of following three prospective tenants. To whom would they rent the apartment? Why? (Note: Each of the prospective tenants have pros and cons. There are arguments to be made for each tenant to be selected. The purpose of this activity is to engage the students in reasoning and discussing the factors that make up a person's creditworthiness. As long as students can reasonably support their ideas, each of the listed tenants is a possible "right" answer.)

TENANT A:

- Has a large amount of debt. (Greater than $5,000)
- Has never been late on a bill payment.
- Has opened five new credit-card accounts within the past six months.

TENANT B:

- Has a moderate amount of debt. (Less than $5,000)
- Has been late (more than 90 days overdue) on about 10% of his bill payments within the past year.
- Has opened one new credit-card account within the past six months.

TENANT C:

- Has a small amount of debt. (Less than $1,000)
- Has been late (more than 90 days overdue) on three bill payments within the past year.
- Has opened two new credit-card accounts within the past six months.

For further information on how a FICO credit score is determined, go to www.myfico.com/credit-education/whats-in-your-credit-score/

WRAP-UP:

After completing the lesson, again ask students to share their ideas on the advantages and/or disadvantages, if any, they perceive in the use of credit cards.

LESSON FIVE

DON'T GET HOOKED

OBJECTIVE: Students will explore and critically evaluate marketing strategies that are used to entice high school students and young adults to purchase products.

TIME: 1–2 class periods

MATERIALS: *Money Confident Kids®* high school magazine, materials to create a visual advertisement

INTRODUCTION:

On a scale of 1 to 10 (with 1 being low and 10 being high), have students rate the influence they think advertising and marketing have on their purchasing decisions. Ask students to explain the reasoning behind their scores.

PROCESS:

To develop background understanding, have students read the article on page 2 of *Money Confident Kids®* high school magazine. Then share and discuss the following marketing strategies used by companies to appeal to high school students and young adults:

FAMILY TOGETHERNESS
Young consumers respond well to images of families spending time together and having fun.

CELEBRITY
Young consumers, as well as most people, are attracted by the style and choices that are made by athletes and other celebrities.

BANDWAGON EFFECT
Many advertisements imply "Everybody is doing it," even though it is not stated outright. Young people are influenced by wanting to have what "everyone else" has and what "everyone else" is doing.

MUSIC
Catchy and/or popular music make products more appealing. It creates an emotional connection between the product and the consumer.

COOL FACTOR
Advertisers develop a "cool" factor in their product advertising that makes consumers feel that they fit in and are part of something greater.

SLOGANS
Advertisers create catchy slogans and taglines to help customers remember a product, brand, or company.

After discussing these marketing strategies, divide students into small groups of three or four. Have each group develop an advertisement for a real or fictitious product. Assign each group a different type of medium for which to develop their advertisements: print, television commercial, street or billboard ad, online banner ad, Instagram, YouTube, etc.

WRAP-UP:

Have students share their advertisements with the rest of the class. Ask students to identify the marketing strategies they observe in the advertisements.

FINANCIAL LITERACY QUIZ

1. The definition of inflation is:

A) a general decrease in the price of goods and services over time

B) the variation of prices in relationship to interest rates for loans

C) a general increase in the price of goods and services over time

D) the increase in the production of products that are sold to foreign countries

2. There is a correlation between a person's education level and his or her anticipated salary. The higher the level of education, the greater the average annual salary.

A) True **B)** False

3. Other than the actual purchase price of a car, name one other important expense in car ownership.

4. Savings accounts are considered a high-risk investment.

A) True **B)** False

5. Which of the following would not be a necessary financial consideration in the purchase of a car?

A) The amount of money available for the purchase or down payment.

B) The interest rate for a car loan.

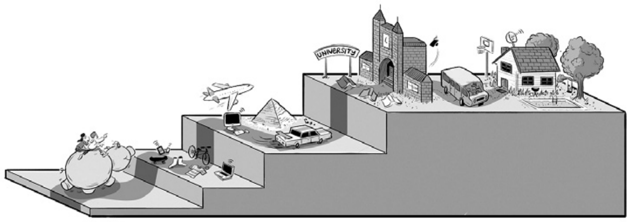
C) The cost of ownership.

D) The color of the car.

6. ________________ interest is interest that is earned on the original principal plus the previously earned interest.

7. Setting financial goals is one of the first steps in effective financial planning.

A) True **B)** False



8. Buying stocks in different types of companies, such as technology, automobiles, and entertainment, is known as ________________.

A) diversification

B) asset allocation

C) the Rule of 72

D) economic correlation

9. A ____________ ____________ is a three-digit number that represents a consumer's reliability to repay debts on time.

10. Short essay: Explain the "cost of borrowing" in relationship to the use of credit cards.

ANSWERS: 1. C; **2.** A; **3.** Answers may include taxes, licenses, registration fees, insurance, inspections, maintenance costs, or fuel. Accept any other reasonable expenses associated with car ownership; **4.** B; **5.** D; **6.** Compound; **7.** A; **8.** A; **9.** credit score; **10.** Answers may include the implications of high-compound interest, credit-card fees, and lengthy and expensive repayment on credit cards with high interest rates.

GLOSSARY

ALLOWANCE: Money given to a person on a regular basis for his or her personal spending.

ASSET: Anything that has a financial worth, including cash, savings accounts, stocks, bonds, mutual funds, houses, and cars.

ASSET ALLOCATION: The way that a person divides his or her money among stocks, bonds, and short-term or long-term investments.

BOND: An asset that lends money to the federal government, state government, or corporations. Bonds generally pay interest (usually more than a savings account) every six months; you receive the original amount you loaned the organization plus interest earned at the end of a specified time. Unlike a savings account at a bank or credit union, bonds are subject to risk—which means you could lose some or all of the money you invested.

- Corporate bond—issued by a company
- Municipal bond—issued by a state or local government
- Treasury or federal bond—issued by the United States government

BUDGET: A plan describing how much money a person or business has to spend and how it will be spent.

CERTIFICATE OF DEPOSIT: A savings certificate that usually earns a higher amount of interest than a basic savings account. The certificate matures at the end of the set amount of time. The saver may pay penalties if money is withdrawn before the maturity date.

DEBT: Any money you have to pay back, such as loans or purchases made on credit cards.

DIVERSIFICATION: Having lots of various kinds of investments (different types of stocks, different types of bonds, etc.).

DIVIDENDS: Money paid to an investor who owns a piece of the company.

FINANCE: Management of money and other assets.

IMPULSE BUYS: Unplanned purchases made for immediate enjoyment.

INFLATION: The general increase in the price of goods and services over time. Money loses value due to inflation, so it will be more expensive to buy products in the future.

INTEREST: The amount of money an investment earns or an amount of money that is added to money you borrowed. If you have a savings account, your money can earn interest—and you'll have even more money. However, if you borrow money (such as using a credit card), you will have to pay interest on top of what you use.

INVESTMENT: Anything that you buy in hopes that it will increase in value.

MONEY MARKET DEPOSIT ACCOUNT:
A type of savings account that usually earns a higher amount of interest than a basic savings account. This account usually requires a higher minimum deposit and minimum balance than a basic savings account.

MUTUAL FUND: Combines the money of many investors to buy many different stocks, bonds, and/or short-term investments (depending on what kind of mutual fund it is), giving small investors access to a well-diversified portfolio. Each investor shares in the gain or loss of money in the mutual fund.

NEEDS: Basic things necessary to live or do your job (such as a place to live, food, clothes, transportation to work, etc.).

PORTFOLIO: A group of investments owned by a person, investment company, or financial institution.

STOCK: A share of a company that is sold to the public. Companies sell stocks to raise money to finance business operations. Stock prices can change daily. As an investment, stocks have produced the highest long-term returns over the past several decades. They also have had the biggest swings in performance and are subject to much greater short-term risk of losing money.

TIME HORIZON: The number of years until you will spend your money.

WANTS: Goods, services, or a certain lifestyle that you don't need to survive or do your job. Also called **luxuries**.

LESSON ONE

THE CHOICE IS YOURS: ACTION PLAN WORKSHEET

PURCHASE ITEM: ______________________________

DECISION-MAKING CRITERIA:
(Example: Is this a want or a need?)

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________

ACTION PLAN DETAILS:
(Include details from the decision criteria above to support purchase of the item.)

- ______________________________
- ______________________________
- ______________________________
- ______________________________
- ______________________________

What is the source of the money to purchase the item? ______________________________

Develop some short-term goals to help achieve the purchase of the item.
(Example: save $50 a month for six months.)

- ______________________________
- ______________________________
- ______________________________
- ______________________________
- ______________________________