MONEY CONFIDENT Kids®

Presented by T. Rowe Price®

Student Workbook

- GOAL SETTING
- DECISION-MAKING
- MONEY & INFLATION
- ASSET ALLOCATION
- DIVERSIFICATION

THIS WORKBOOK BELONGS TO:

Name ______________________________

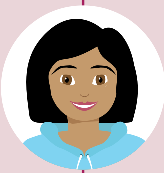
Table of Contents

Nikki's Timeline

Secondary School, Year Seven

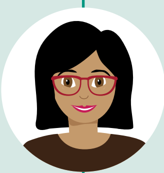
Secondary School

University, First Year

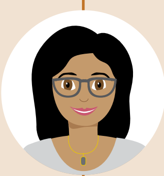


University, Final Year

Master's Degree



Early Twenties



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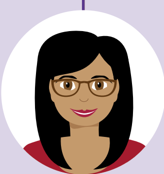

Late Thirties

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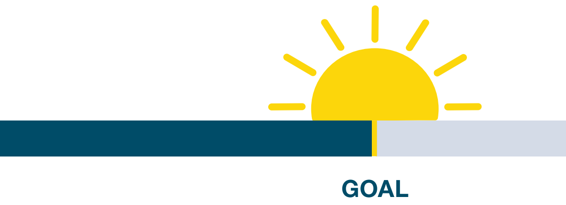
Welcome

Hello

Welcome to Money Confident Kids®, a financial education programme that helps kids understand that every financial decision is associated with a **timeline**. We follow Nikki from the year seven to her university graduation and beyond. Along the way, you'll get to know Nikki and her family and share her journey as she sets important **financial goals** along her timeline and works to achieve them.

Nikki's story is told through real-life financial situations that range from deciding whether she should buy expensive running shoes to deciding if completing a master's degree is a good career **investment**. You'll see how Nikki uses what she's learned about money to create realistic goals and achieve them by creating a **budget**. In addition, you'll have a chance to set your own goals and create a workable strategy to achieve them.

Making smart, informed decisions about money is a valuable skill that will help you throughout your life. The sooner you get Money Confident, the more opportunities you'll have to save for the things that are really important to you.



OVERVIEW

Learning how to save and invest your money and the importance of spending it wisely are essential life skills. Start your financial adventure today.

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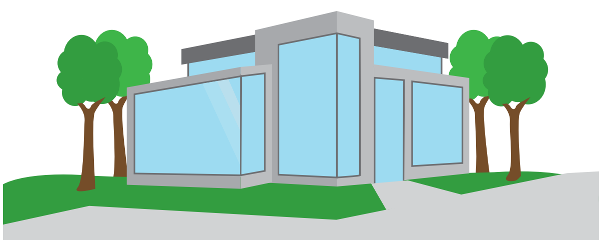
Introduction

Meet Nikki!

Hi! I'm Nikki, and I'm in Year 7. I run, play the violin and am the leader of the computer coding club at school. I live with my mum, my dad, my sister—who's at university—and my brother—who's finishing secondary school. We have a very busy house, and I love every minute of it!

My mum is a nursery teacher, and my dad is a nurse. Together, they take care of our **needs**. Dad says that careful **financial planning** is the key.

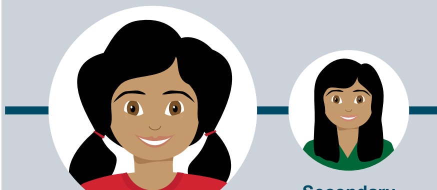
And guess what? My grandparents live on our road. They're retired, so we get to spend lots of time with them. My grandfather knows I'm really interested in electronics, so he lets me play around with all of the equipment in his workshop whenever I want.



My **career** goal is to run a large software company. Mum says I'd better start practising for the future by making clever money choices now. I get pocket money and make money from carwashing, but after paying for new violin strings, trainers, and snacks, I never seem to have any money left. I definitely need to find a solution to this!

THE STORY

Learn how to manage money by reading about a girl who goes from typical teen to financial whiz by working hard and making smart money decisions. Follow Nikki and her family as she learns how financial education is key to planning and achieving her long-term goals.



Secondary School, Year Seven

Sorting Out Nikki's Goals

Nikki would feel better about money if she understood that each financial goal has a different **timeline** (the length of time between now and when she'll achieve the goal).

SHORT-TERM TIMELINE

Buying new trainers might be ***weeks*** or ***months*** in the future. Nikki has time to find a bargain and save for the purchase.

TRAINERS

VIDEO GAME

LAPTOP

MEDIUM-TERM TIMELINE

In *five years*, Nikki will go to university and be living on her own, which is expensive. She's heard how students living away from their families struggle to support themselves and knows that she needs to start planning now. The timeline for that goal is medium.

UNIVERSITY

LONG-TERM TIMELINE

Nikki has other goals that have an even longer timeline—*decades*! She wants to buy a house, have a career, travel and retire after her career is over.

BUY A HOUSE

RETIREMENT

WHAT'S THE
Big Idea?

Some financial decisions have an immediate timeline, while others happen over months, years and even decades.

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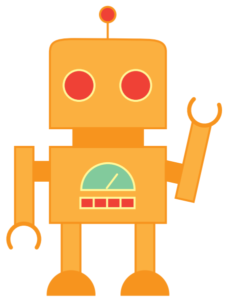
Goal Setting

1

Better Set a Budget



I'm so excited! There's a Science, Technology, Engineering, and Mathematics (STEM) fair and competition in 10 weeks, and I've decided to design, build and programme a robot that can build other robots! How cool is that? I'll definitely win the gold medal! I shopped around, and the parts will cost me £140.

I went over to Grandad's house so he could check my design and give me advice on raising the money I need. But he didn't want to talk about money first. He wanted to start with my goal. He said that people and businesses often use a process called *SMART goals* to make decisions. Goals need to be ***S**pecific*, ***M**easurable* (meaning there's a way to tell if you've succeeded or failed), ***A**chievable* (meaning doable), ***R**elevant* (meaning appropriate or appropriate for your current lifestyle) and ***T**ime-specific* (meaning there's a deadline).

Specific	Your goal is clearly defined and states exactly what you are going to achieve.
Measurable	Track your progress and know when your goal is met.
Achievable	Your goal challenges you but is also something realistic.
Relevant	Your goal is connected to what is valuable and important to you.
Time-specific	Your goal includes a date you will have achieved it by.

LESSON 1

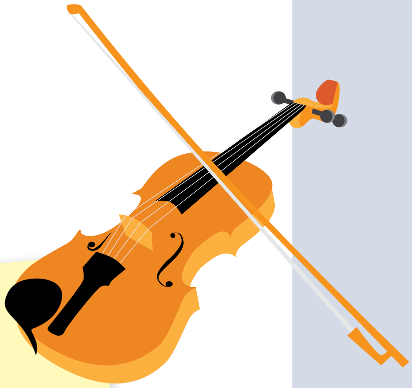
Goal Setting helps kids envision why they are saving and what they are saving for—and creating goals is the essential first step towards money confidence.

Secondary School

Secondary School, Year Seven

To check the 'Achievable' part of the SMART goals test, Grandad helped me work out whether I could pay for the parts I'd need for my robot. Here's a list of my weekly **income**, **expenses** and **savings**:

- My pocket money is £7 each week.
- I wash the car every week and get paid £10.
- I buy a £1 bag of crisps every day at school.
- I spend £4 per week on new apps for my phone.
- I give £8 to Mum to pay for part of my violin lessons.



Grandad and I added up my weekly income and expenses:

NIKKI'S INCOME & EXPENSES

INCOME		EXPENSES	
Pocket Money	£7	Snacks	£5
Car Washing	£10	Phone Apps	£4
		Violin Lessons	£8
	£17		£17

Income (£17) – Expenses (£17) = Nothing left for the STEM competition!

Grandad said I could save up the money I need by increasing my income and cutting my expenses. Then I should write down my new plan—my ***budget***—to make sure I stick to it.

WHAT'S THE

Big Plan?

Income – Expenses = Savings. Preparing and following a budget can help you increase your income, reduce your expenses, and end up with more savings.

Name ____________________

GOAL SETTING ACTIVITY SHEET

MONEY CONFIDENT Kids

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1

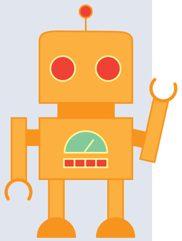
It's in the Budget!

Nikki needs £140 in the next 10 weeks for her robot project. At the moment, she spends all the money she earns and doesn't save anything. Here is a chart of her current weekly income and expenses:

Income – Expenses = Savings £0

Income	
Pocket Money	£7
Carwashing	£10
Total Income	**£17**

Expenses	
Snacks	£5
Phone Apps	£4
Violin Lessons	£8
Total Expenses	**£17**



Nikki has two money-making opportunities:

- Grandad has asked Nikki to wash his car as well for an additional *£10*.
- Nikki's dad has offered her *£30* to help him tidy up the loft.

1. Make suggestions for Nikki to increase her income and lower her expenses:

____

____

____

2. Prepare a new weekly budget for Nikki that includes your suggestions:

Income	
	£
	£
	£
	£
Total Income	£

Expenses	
	£
	£
	£
	£
Total Expenses	£

Total Income – Total Expenses = £ Savings

£ __________ – £ __________ = £ __________

3. If Nikki follows your suggestions, how many weeks will it take her to save £140?

____

Answer Key: (1) Reducing or eliminating snacks and apps to reduce expenses; working for her dad and grandad to increase her income. (2) Answers will vary, but income minus expenses should equal a positive number for savings. (3) Answers will vary, but £140 divided by weekly savings will equal the number of weeks.

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Notice

Note to Reader

You have just completed *Goal Setting Lesson 1* and learned about Nikki in secondary school and the short-term goals she was able to achieve.

OPTION 1

To keep a consistent flow with Nikki's timeline and the financial decisions she could face as she moves into secondary school and her early university years, you can skip to the next module—*Decision-Making*—that lays the foundation for her long-term goals.

Afterward, come back here to *Goal Setting Lesson 2* and learn how Nikki is planning for her long-term goals as she finishes up university and looks ahead to the future.

OPTION 2

Continue with *Goal Setting Lesson 2* below and jump ahead in Nikki's timeline to learn how she is planning for her long-term goals as she finishes up university and looks ahead to the future.

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Decision-Making

2

LESSON 1

Decision-Making
To get the most value for your money, think through your spending decisions carefully and resist buying on impulse.

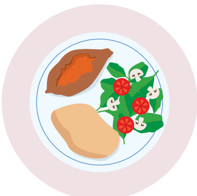
Get It for Less

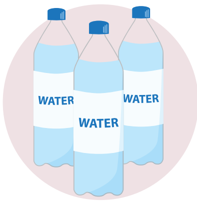
Hi, it's Nikki! Can you believe I'm already halfway through secondary school? This year I'm volunteering at a care home. I'm teaching the residents how to make digital photo albums and use social media. My classes would be so much better if I could teach on a new laptop. I found one for £499 online, but I only have £425 in my **savings account**—and I am also always buying new apps and accessories for my phone. So I went to my sister, April, for help.

The first thing April made me do was to define my goal. That's easy: I want to buy a new laptop. Then she told me that the fun part is working out what decisions to make to reach my goal. April always says purchases are either '*needs*' or '*wants*.'

NEEDS

Needs are the things you must have to survive, like food, water and medicine—or *things that will help you achieve your financial goals*.


FOOD

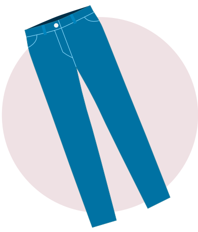


WATER


MEDICINE

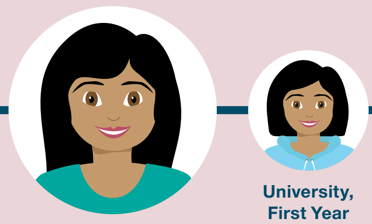
WANTS

Wants are the things you would like to have but don't *really* need that can distract you from reaching your goals, like a new pair of jeans or a new phone cover.


JEANS


NEW PHONE COVER

But needs and wants can be tricky. Sometimes, it isn't so easy to tell the difference. For example, a grown-up could *need* a car to drive to work but might *want* that car to be a very expensive sports car.



So, the first step is to decide if my goal is a need or a want. If it's a want, then there's no rush. I can wait until I have enough money to buy wants or choose not to buy them at all. April thought the laptop is more of a need because having better technology would help me develop my career. Video games are a want. Playing them is fun, but I don't need them to reach my goals. I decided to forget the apps and save my money for the laptop. April pointed out another important choice I could make: *comparison shopping*, since shops and websites often sell the same product for different prices and sometimes have sales.

She was right! I found out the laptop was £499 at one online shop, but £450 at another one, which also offered a 10% discount for students. Guess where I bought my laptop? I only paid £405!

WHAT'S THE
Big Plan?

To reach your financial goals, you have to make good decisions. You can save money by delaying buying things you don't need and by comparison shopping to get the best deal on the things you do buy.

Name______________________

DECISION-MAKING ACTIVITY SHEET 1

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But I Really Want It!

2

Want or Need?

Nikki's big brother, Marcus, is in catering school, and his dream is to own a bakery one day. Not surprisingly, he loves any kind of sweet treat! He is also a big music fan. Marcus wants Nikki to go shopping with him for things he thinks he needs next term.

1. Look at Marcus's shopping list. Are these *wants* or *needs*?

Want or need? ____________

Explain your answer:

____

____

Want or need? ____________

Explain your answer:

____

____

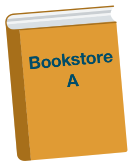
Want or need? ____________

Explain your answer:

____

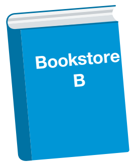
____

2. Marcus couldn't find the textbook in town, but he and Nikki found several options online:



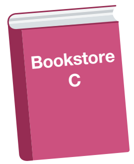
New, with free delivery

£97



New, with free delivery

£90



Secondhand, with £10 delivery charge

£47

Which book should Marcus buy? ______________________

Explain your answer:

____

____

Answer Key: (1a) A need, because Marcus must have the book for his baking class; his catering education is an investment in his future career. (1b) While shoes can be a need, fancy trainers are definitely a want. (1c) Food can be a need, but a luxury snack is a want. (2) Bookstore C. The second-hand book is the cheapest, even after delivery charges are included.

Name________________________________

DECISION-MAKING GAME SHEET 1

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2

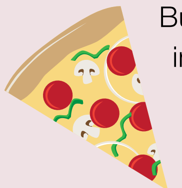
Plan Your Party

Planning a Budget

Nikki's parents are celebrating their 30th wedding anniversary next month. Nikki, April and Marcus decide to throw a surprise party for them. The guest list includes nine people: Nikki's parents, the three children and both sets of grandparents.

The children have to apply good decision-making techniques to make sure they meet their goal: planning the best possible party that fits their budget!

Nikki suggests that each sibling contributes £25. She thinks that will be enough to buy food and drinks for everyone. Marcus grumbles a bit because he thinks a party is more of a want than a need. But April reminds him that it's important to celebrate family events—and that he needs to contribute his £25!



Nikki researches prices for different food they could serve at the party and other fun items. Here are her options:

PARTY ITEM OPTIONS

Item	Store A	Store B	Store C
Fruit Juice (serves 4)	Two for £7.00	£3.89	£4.19
Bottled Water (1 serving)	£0.39	Three for £1.00	£0.49
Water From the Tap (free!)	£0	£0	£0
Pizza (serves 3)	£7.99	£8.99	Two for £15.00
Burgers (pack of 10)	£6.99	£7.99	£6.99
Burger Rolls (serves 10)	£16.00	£18.00	£17.00
Cake (serves 10)	£22.00	£20.00	£19.00
Ice Cream (serves 4)	£5.99	Two for £10.00	£4.99
Giant-Sized Wedding Picture	£17.50	£20.00	£22.50
Flowers	£20.00	£22.00	£25.00
Greeting Card	£5.95	£5.95	£6.95
Piano Player (£50 fee)	N/A	N/A	N/A
Magician (£40 fee)	N/A	N/A	N/A

Name______________________

DECISION-MAKING GAME SHEET 1

MONEY CONFIDENT Kids
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2

Plan Your Party

Planning a Budget

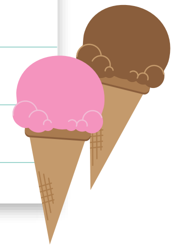
(Continued)

Instructions: You have £75 to spend on a party that Nikki's parents will remember forever! Plan a menu, making sure there's enough food for everyone, and stay within your budget. (Note: You may have to buy more than you need for some items because of the pack sizes.)

Nikki's Parents' 30th Anniversary Party

PARTY ITEM BUDGET

	Item and Quantity	Store	Amount Paid
example	Greeting Card	Store A	£5.95
		Total	£



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Decision-Making

2

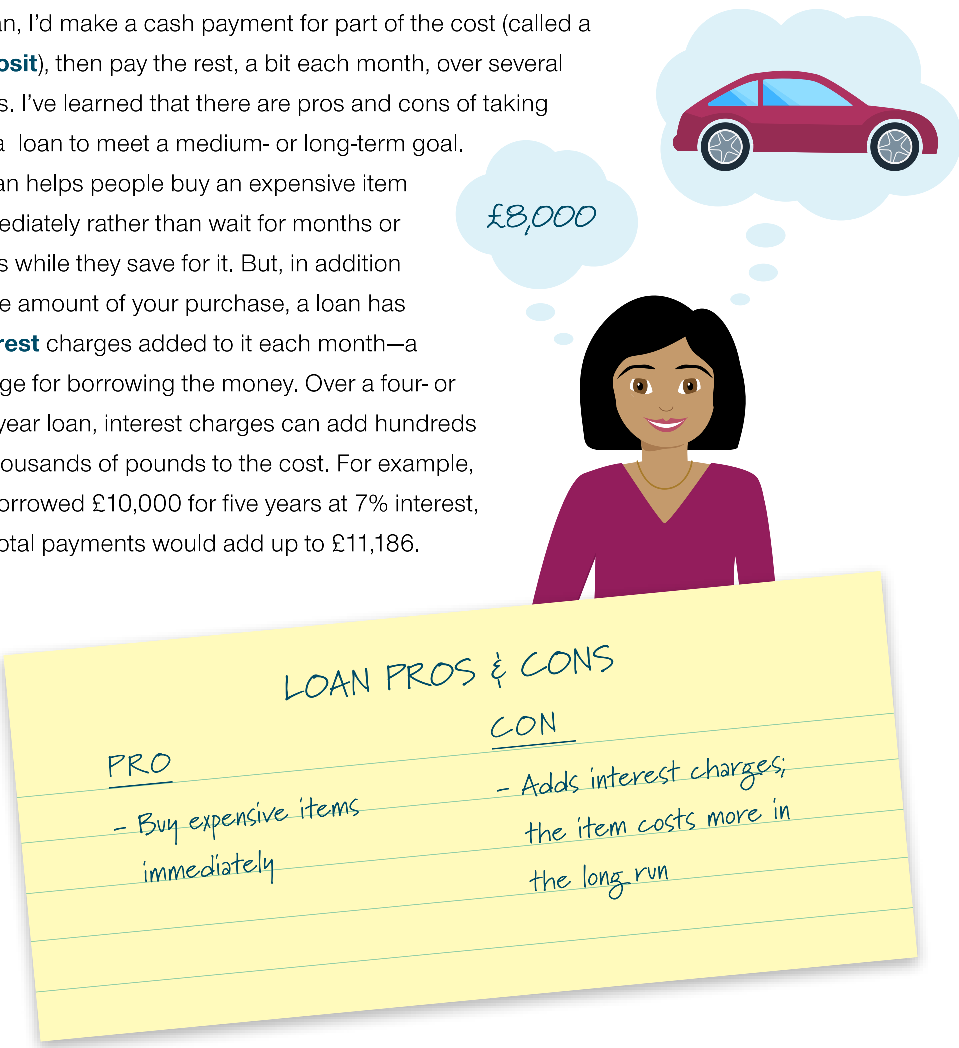
LESSON 2

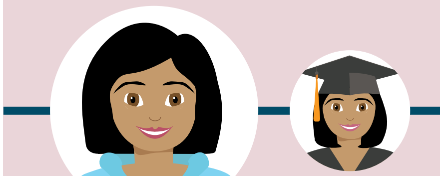
Decision-Making
An important step in making wise financial decisions is understanding the relationship between spending practices and achieving financial goals.

A Penny Saved…

Wow, time flies! I'm at City of Bristol College preparing to go to university, where I plan to pursue a computer science degree. While I study for my A levels, I also have a part-time job at Tech Solutions, a computer repair shop. I'm learning loads and earning £9.30 per hour. Since I'm living at home, I've been saving part of everything I get paid to help me reach one of my medium-term goals—buying a car so I can commute to work. I also want to make sure I still have some savings for other goals too, like housing and food while I'm away at university. Depending on the kind of loan I receive from the government, I may have to contribute towards my school fees. I just checked my savings account, and I only have £8,000!

I wonder if I can take out a car **loan** to buy a brand new car. With a loan, I'd make a cash payment for part of the cost (called a **deposit**), then pay the rest, a bit each month, over several years. I've learned that there are pros and cons of taking out a loan to meet a medium- or long-term goal. A loan helps people buy an expensive item immediately rather than wait for months or years while they save for it. But, in addition to the amount of your purchase, a loan has **interest** charges added to it each month—a charge for borrowing the money. Over a four- or five-year loan, interest charges can add hundreds or thousands of pounds to the cost. For example, if I borrowed £10,000 for five years at 7% interest, my total payments would add up to £11,186.



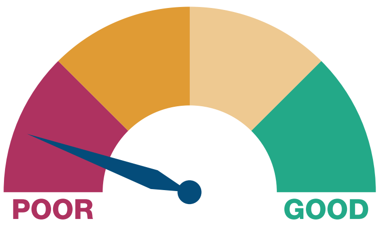


University, First Year

University, Final Year

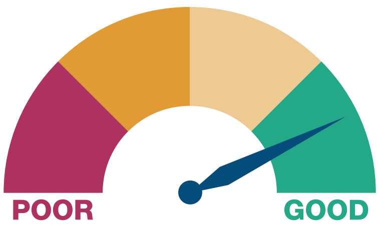
Mum said I also need to get a good **credit rating**. A credit rating is a number based on your history of paying back loans. If I make my payments on time, I'll get a higher credit rating and it will be easier for me to get a loan when I want to borrow again, like to buy a house or study for a master's degree. If I don't pay on time, I'll end up with a bad credit rating and it will be harder for me to borrow money in the future (and I might even have to pay a higher interest rate).

POOR CREDIT RATING



- Miss payments
- Hard to borrow money
- Higher interest rate

GOOD CREDIT RATING



- Make all your payments
- Easier to borrow money
- Lower interest rate

WHAT'S THE

Big Plan?

If a loan is necessary to help pay for an expensive need, you have to consider interest charges. You must make payments on time to maintain a good credit rating.

Name________________________

DECISION-MAKING ACTIVITY SHEET 2

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How Interesting!

2

Deciding to use a credit card or to take out a loan from a bank are important financial decisions. If you have time to save for your goal, that is usually the best option, but sometimes purchasing using credit is necessary. Do you really know how much you'll pay for an item you purchase using credit? The cost can vary depending on what type of credit you use and how you pay it back! You pay interest to a credit card company when you make purchases on a credit card or to a bank when you borrow money via a loan.

Interest payments on credit card purchases or bank loans will most often be calculated as an annual percentage of the original amount borrowed—for instance, paying 12% interest on £100 on a credit card. To find the amount of the interest you would owe after one year, multiply the original amount of money (£100) by the interest rate (in this case, 12%, which is 0.12 when converted to a decimal for easier multiplying).

£100 x 0.12 = £12.00   After the interest payment, you would owe *£112.00*.

Directions: Calculate the amount of annual interest:

1. **£200** on a credit card that charges **12%** interest ____________
2. A **£500** loan that charges **3%** ____________
3. A **£1,200** loan that charges **7.5%** ____________
4. A **£7,500** loan that charges **6.8%** ____________

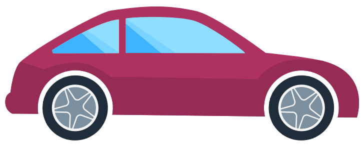
Now Try This: A borrower paid **£66** on a **£600** loan.
What was the interest rate? ____________

Answer Key: (1) £24. (2) £15. (3) £90. (4) £510. Now Try This: 11% (£66 ÷ £600 = 0.11 or 11%).

Decision-Making

But I Love That New Car Smell

Time to go car shopping! I started by researching different types of cars online, both new and secondhand, to narrow down the models that I'm interested in. Then I went to a few local dealerships to look at cars in person. I saw a bright red sports car that I couldn't get out of my head. I know most people my age drive bangers, but I couldn't help *wanting* that sports car!

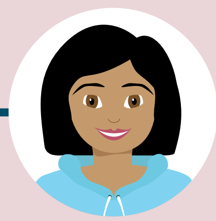


Just for fun, I did some research. The dealer was selling a new model for £21,000 and offering five-year loans at 5%. Using an online calculator, I worked out that if I paid a £4,000 deposit, all I would have to do is make 60 monthly payments of £320.81. I know the interest rate is high, but I *really* want that car. Maybe I could start working more hours at the computer repair shop!

When I told my parents about it, they pointed out that even though I want that car, I definitely need something more practical—especially as I'm only 17. To prove his point, Dad helped me work out the cost of my dream car: I would pay more than £2,200 in interest over the five-year life of the loan *and* I would use up most of my savings for the deposit. There were also those other expenses I hadn't even considered: petrol, maintenance, car insurance, and **unexpected costs** for repairs. Mum explained that insurance can cost hundreds of pounds a month—and that I *definitely* need it to protect myself from the financial **risk** of expensive repairs and legal costs if I ever have an accident.

LESSON 3

Decision-Making
Staying on track to reach financial goals involves making trade-off decisions for spending on things we don't really need. Understanding how to make smart spending, saving and investing decisions now helps set you up for a more secure financial future.



University, First Year

University, Final Year

Nikki's Car Purchase Analysis

Car Fund (Savings): £6,500
Less Down Payment: £4,000
Remaining Savings: £2,500

Car Price–New	£21,000
Deposit	£4,000
Amount of Loan	£17,000
Loan Period	60 months (5 years)
Interest Rate	5%
Monthly Payment	£321

Actual Total Cost of Car = £23,000!
(£21,000 + £2,000 interest)

Car Fund (Savings): £6,500
Less Cash Purchase: £4,950
Remaining Savings: £1,550

Car Price–Used	£4,950
Pay Cash	£4,950
Amount of Loan	£0
Loan Period	None
Interest Rate	0%
Monthly Payment	£0

Actual Total Cost of Car = £4,950

Remember that recurring costs (petrol, maintenance, insurance) and unexpected costs (repairs) will add expenses to your monthly budget.

Thanks, Mum and Dad. You've convinced me to spend wisely! I went back to the dealer and test-drove a safe used run-around that cost £4,950, an amount I could pay from my savings. I asked Grandad to check the mechanics, and he approved. Sold!

WHAT'S THE
Big Plan?

If we keep our focus on what we really need rather than what we want when we buy things, we'll have more money in the long run and a more secure financial future.

Name________________________

DECISION-MAKING GAME SHEET 2

MONEY CONFIDENT Kids®

Presented by T. Rowe Price®

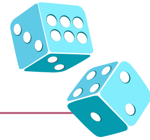
Is It Covered?

2

Car insurance is required by law in the UK. But would it be a good idea to buy it if the law changed and you didn't have to? Simulate 7 years of insurance payments and driving experience and see what happens!

Each year, you will pay the £2,000 cost of a car insurance policy (already printed on your game sheet). In real life, insurance costs may increase or decrease over time based on your driving record, but the costs of accidents and legal costs may change as well.

Instructions: For each year, roll two dice, add the numbers together and look at the chart to see what your cost of accidents and legal costs would have been without insurance. Record that amount on the Dice Roll Chart. After seven years, compare the cost of car insurance with the cost of not having car insurance.



Dice Total	Result
2	Lose a £2,000,000 lawsuit
3	Pay for a £4,500 repair
4	Pay a £5,500 medical bill
5-6-7-8-9	No accidents or lawsuits
10	Pay for a £6,000 repair
11	Pay for a £7,500 repair
12	Pay £60,000 in hospital costs to accident victim

Year Number	Auto Insurance Cost	Cost of Accidents and Lawsuits
1	£2,000	
2	£2,000	
3	£2,000	
4	£2,000	
5	£2,000	
6	£2,000	
7	£2,000	
TOTAL	£14,000	

Name________________________

DECISION-MAKING ASSESSMENT

MONEY CONFIDENT Kids
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2

Show What You Know

We all have limited time and money, and resisting impulse buys is a key **financial strategy**. 'Saving' is really just planning to 'spend later.' It's all spending, but the difference is whether you're planning to spend now or spend later: *Do you really need to buy something now or can it wait?*

Here's a quick quiz that reviews some of the important points we've covered. See how much you've learned about money and managing your finances.

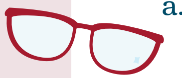
1. What are three things a person can do to reduce their expenses?

____

____

____

2. Expenses can be classified as 'needs' or 'wants.' Decide whether you think the following items are needs or wants. Please explain your answer. *For an extra challenge, identify a situation in which each expense below is a need AND a situation when it's a want.*

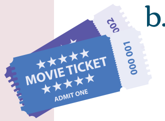


a.) A visit to Nikki's optician for new glasses.

Want or need? ______________

Why?

____



b.) Cinema tickets for Nikki and a friend.

Want or need? ______________

Why?

____

c.) Expensive trainers to help Nikki exercise.

Want or need? ______________

Why?

____

d.) A new textbook for Nikki's math class.

Want or need? ______________

Why?

____

3. Fill in the blanks with words from the word bank to make the statement true:

WORD BANK Interest Expenses Savings Income ____________ – ____________ = ____________

Answer Key: (1) Compare prices from different sellers; consider reducing, eliminating or deferring expenses that are considered wants; consider buying a used item if it will suit your purpose. (2a) need; (2b) want; (2c) want; (2d) probably a need, but 'fancy' school supplies could be considered a want. (3) Income – Expenses = Savings.

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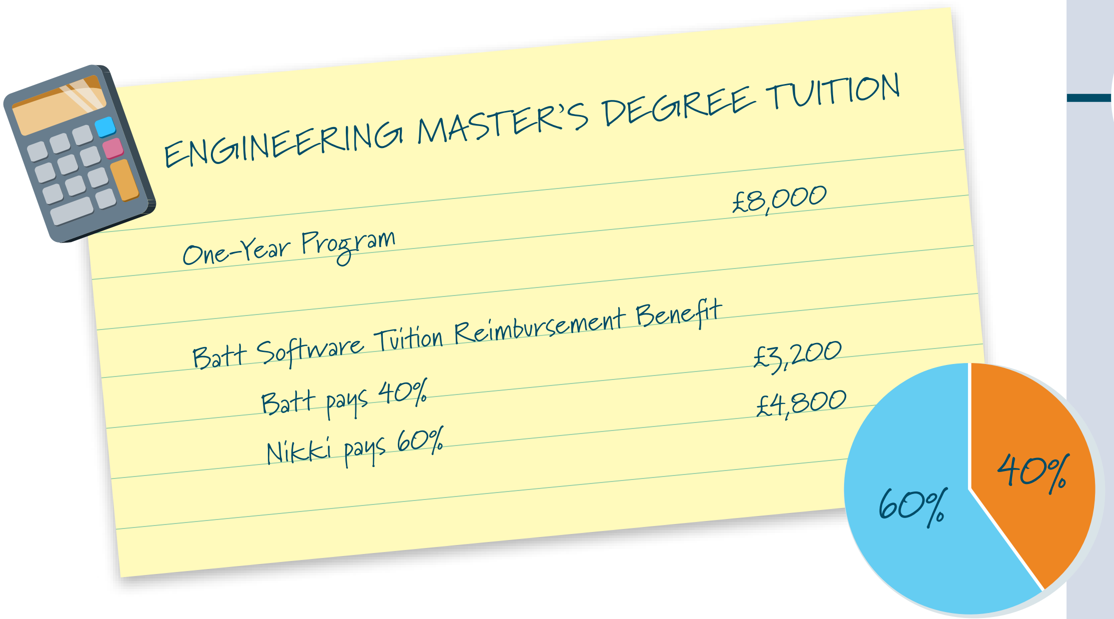
Goal Setting

LESSON 2

Get the Big Picture

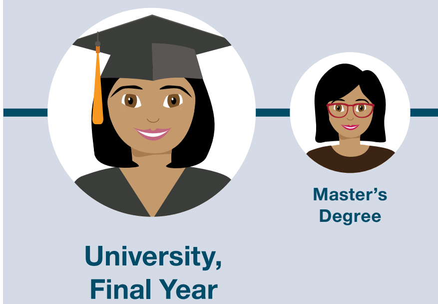
I just started my last year of university! I'll have my bachelor's degree soon and be ready to work full time. The manager of my part-time job at Tech Solutions told me about an available full-time position at Batt Software for after I graduate, with an annual **salary** of £28,000. But she also advised me to study an additional year for a master's degree in software engineering. She said that at Batt Software, engineers with **master's degrees** typically make £5,000 more each year.

My tuition fees for an extra year of university would be £8,000—wow! Batt Software employees have a tuition sponsorship programme that covers 40% of tuition fees. I would have to pay 60% of the total tuition fees. That's £4,800 (£8,000 – 40% of £8,000)! I would definitely need to take out a student loan.



I called my sister, April, and we worked out that I have two choices.

Goal Setting helps you envision why and what you are saving for and when you want to achieve it. Knowing how long you need to save for your financial goal is called a 'timeline.'



We figured out that I basically have two choices:

CHOICE 1

WORK

Work for Batt right away and don't do the master's degree. I would make £28,000 a year and save £8,000 in tuition fees. But that might mean giving up a higher salary in the future.

CHOICE 2

SCHOOL

Go to university full time then work for Batt after I get my master's degree. I would finish the degree and earn a higher salary long term, but I would also be giving up one year of salary. I would also have to take out a maintenance loan to pay for my £8,000 in extra tuition fees. Mum said the loan would be a good **investment** in my future. The money I put towards extra expenses now will lead to financial gains later. If my salary goes up by £5,000 when I finish, I'll definitely be able to pay off the maintenance loan.

My decision: I'm going to get my masters before I work full-time for Batt. I'll have to take out a maintenance loan, but my plan gives me the option of a higher salary and the ability to sustainably pay back my debt. Wish me luck!

WHAT'S THE

Big Plan?

Investing in yourself by furthering your education might seem difficult, but it can pay off in the future. Be realistic about whether paying back a student loan will be achievable based on the salary you are likely to earn after you graduate.

Name______________________

GOAL SETTING
ACTIVITY SHEET

MONEY CONFIDENT Kids®
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Start With a Goal

Financial Timeline

Financial goals have different timelines. Here are a few examples:

- Something you need immediately or within a few years (under four years) has a **short-term timeline**.
- Something you save for over several years (between five and 10 years) has a **medium-term timeline**.

- Something you save for that will happen many years or decades in the future (over 10 years), like retirement, has a **long-term timeline**.

Because Nikki is a few months away from university graduation, she sat down and listed her goals. Determine whether each goal has a short-, medium- or long-term timeline and estimate how many years you think each goal will take.

1. Replacing her first car with a newer model.

Timeline ______________

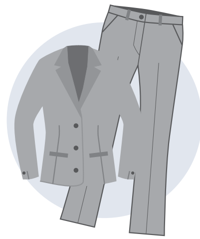
Explain your answer:

____

____

____

2. Buying work clothes for her new job.



Timeline ______________

Explain your answer:

____

____

____

3. Deciding on whether to make a donation to her favourite charity.

Timeline ______________

Explain your answer:

____

____

____

4. Retiring using her company's pension plan.

Timeline ______________

Explain your answer:

____

____

____

Answer Key: (1) Medium term, five to 10 years. (2) Short term, one to four years or less. (3) Short term, one to four years or less. (4) Long term, 11–30+ years.

Name____________________

GOAL SETTING ASSESSMENT

MONEY CONFIDENT Kids®
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Show What You Know

1

Congratulations! You've learned about the importance of setting financial goals that are specific, measurable and have a definite deadline.

Specific
Measurable
Achievable
Relevant
Time-specific

Visualising your goal is one way to stay focused on what you want to achieve. In the space below, create a poster, cartoon or drawing of one or more of your long-term financial goals.

Reflect: What are four specific, measurable steps you'll take to reach your goal? What is your intended deadline for each of those steps? How will your visual aid reminder help you achieve your goal?

MONEY CONFIDENT Kids
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Money & Inflation

3

A Place of My Own

Hi! It's Nikki! I can't believe I worked a year at Batt Software and have been recruited by another company for a new position! I'm so proud of my hard work and my new job title: Programmer at Robotic Applications! Thanks to my good salary—and my wise budgeting—I've managed to save some money.

I've also got a new goal: homeownership. As much as I love my two flatmates, I think it's time I lived on my own! When I said I wanted to buy a house or a flat with my savings, Gran explained that almost no one can afford to buy a home that way. She told me I'd have to pay a cash **deposit** (usually equal to 15% of the cost of the home) and then borrow the rest from a bank.

MORTGAGE

This loan is called a **mortgage**, and most people pay it off over 25 years. That's a long-term commitment!

There's one house I absolutely adore (it's got a huge garden!) that costs £200,000. A deposit, or 15% of this price, would be £30,000. I have about £10,000 in savings now, so I'd have to save £20,000 more before I could purchase it.

SHORT-TERM TIMELINE

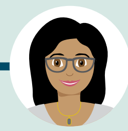
SAVING FOR HOUSE DEPOSIT

I've worked out my timeline to save for the deposit, and it will only take me four years! There is also a government scheme that will allow me to use my Individual Savings Account (ISA) to buy my first house.

LESSON 1

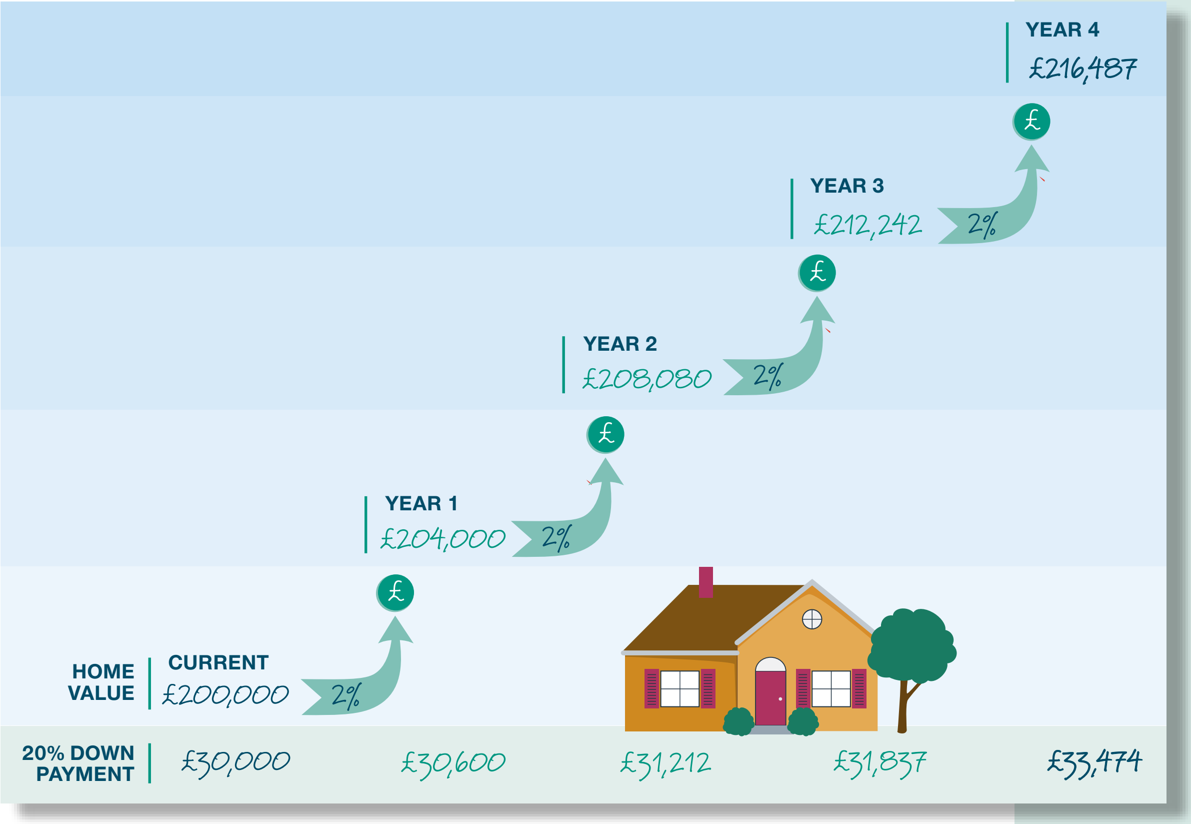
Inflation is the increase in the price of goods and services over time, which means that long-term financial goals will likely cost more than they do today.

Master's Degree



Early Twenties

But then, Gran burst my bubble when she told me about **inflation**, which is the increase in prices over time. She explained that four years from now, the costs to maintain my dream house will likely have gone up in value—the costs of a deposit and things like taxes and utilities would also rise. So, if the price of my £200,000 home increases 2% per year, it will cost almost £215,000 in four years. At that point, a 15% deposit will be £32,250, not £30,000! Gran also told me that the more I save and the larger the deposit I put down the better my mortgage rate will be. I'll have to save even more than I thought. I'm glad I'm learning this now!



To calculate the effects of inflation over several years:

1. First, **convert the percentage** to a decimal. (2% is equivalent to .02.)
2. Then **add 1 or100%** to the percentage increase. (So, for a 2% inflation rate, use 1.02%.)
3. Finally, **multiply the decimal** times the current cost.
4. For inflation over more than one year, **multiply the calculation for year 1** by the decimal. Repeat this operation—multiplying the result by the decimal once for each year.

Example: A £200 item has a projected 2% inflation rate. After three years, the cost will be £212.24 (rounded to the nearest cent). Year 1: £200 x 1.02 = £204; Year 2: £204 x 1.02 = £208.08; Year 3: £208.08 x 1.02 = £212.24.

WHAT'S THE
Big Plan?

When you're planning for a financial goal with a long-term timeline, you need to consider and plan for the effects of inflation.

Name___________________________

MONEY AND INFLATION ACTIVITY SHEET 1

MONEY CONFIDENT Kids
Presented by T. Rowe Price

When Prices Rise

3

Nikki is still dreaming about one of her biggest goals—owning her own home—but the reality of inflation is really holding things up! She wonders how she will plan for rising housing prices, along with all the other expenses that come with homeownership, like council tax, utilities (gas, electric, water) and home insurance. Plus, as Gran reminded her, there are unexpected costs, like roof repairs and flooding, which is a huge concern these days. Although many mortgages for first-time home buyers have payments with very low interest rates for an introductory period, all the other costs associated with maintaining a home could increase over time due to inflation.

Nikki planned to spend a total of £1,325 per month on housing. If she takes inflation into account, will £1,325 be enough for all her housing costs? If not, how much will she need to budget?

Hint: Inflation is an economic force that reduces purchasing power, meaning that a pound buys less than it used to. Inflation is expressed as a percentage increase. Even if the rate of inflation is low, over a long period of time even a small incremental change adds up! If the price of an item was £100 on January 1, 2019, and £102 on January 1, 2020, the annual **inflation rate** for that item was 2%.

Directions to calculate inflation are on page 25 (second page of Money & Inflation Lesson 1).

NIKKI'S MONTHLY HOUSE BUDGET

Expense Type	Current Year Cost	Projected Annual Inflation Rate	Cost Three Years From Now
Mortgage	£800	2%	________
Council tax	£150	2%	________
Gas	£100	1%	________
Electricity	£50	2%	________
Water	£25	3%	________
Insurance	£50	5%	________
TOTAL	£1,175		

How does Nikki's budget compare with the final housing costs after inflation?

____

Answer Key (third column): Mortgage, £848.97; Council tax, £159.12; Gas, £103.03; Electricity, £53.06; Water, £27.32; Insurance, £57.88; Total: £1,249.38. Nikki's housing budget of £1,325 is sufficient for the current year, but it will be less than her projected costs in the third year, when she will have to increase her housing budget to £1,410 per month.

Name____________________

MONEY AND INFLATION ACTIVITY SHEET 2

MONEY CONFIDENT Kids®

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The Rising Cost of Leaving Home

3

One long-term expense that you (and your parents!) might face in the next three to six years is university living costs. While some or all of your tuition will be covered by government loans, due to inflation, the costs of housing, food, transportation and entertainment get more and more expensive every year. Today, the average monthly cost of living while at a UK university is £350-£400, so some students choose to attend university close to home to reduce their expenses. If you choose to study in a more distant or costly region, you will need to factor in an additional £300-£700 per month.

And, while your parents and older siblings may not have saved for university living costs when they were younger and relied on extra support from your family, you may want to do things differently and plan on financial independence early in your student life.

Instructions: Take a look at the table below and compare the cost of university for Nikki's family members. Then predict what the total cost (including tuition and room and board) might be when you're ready to head off to university.

COST OF TUITION INCREASE

Family Member	Year	Cost of Annual Tuition	Cost of Annual Living Expenses*
Dad	1996	No cost	£1,300
Mum	1998	£1,000	£1,500
April	2015	£9,000	£3,600
Nikki	2019	£9,250	£3,600

*Assumes 9 months of living expenses during the university term.

Name____________________

MONEY AND INFLATION ACTIVITY SHEET 2

MONEY CONFIDENT Kids
Presented by T. Rowe Price

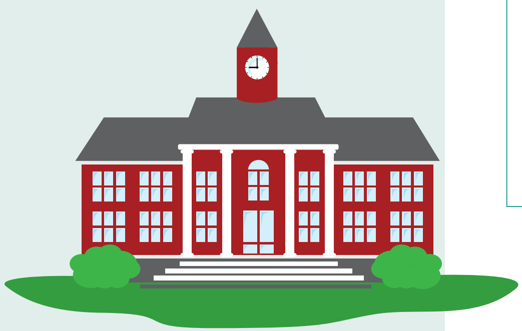
The Rising Cost of Leaving Home

3

Consider Your University Costs

(Continued)

What will university cost when you're ready to go? Look ahead, and start planning today.



Consider: The average cost of university today for one year with room and board is £14,164.

What do you think the cost will be in five years? ____________________

Take It Further! If your teacher asks, research online the current cost of tuition, your expected living costs and how you'll pay them back. Then fill in the blanks below to detail your expected tuition and living expenses costs when you attend university.

I hope to attend (name of university)____________________ in __________ (4, 5, or 6) years.

Today, living expenses (including rent, food and transportation) is £____________________.

Taking inflation into account, the cost of being a university student will be £___ annually when I'm ready to attend.

Reflect: How does inflation affect your thinking as you plan to pay for future university costs? Do you have any strategies that might help you prepare for your medium-term timeline?

Answer Key: Answers will vary. Check your answers here: https://ucas.com/budget-calculator. Reflect: Individual answers will vary, but you can deal with the increase in tuition fees by some combination of comparison shopping and increasing savings by cutting costs and increasing income. You may also have to consider a student loan to cover the tuition.

Name______________________

MONEY AND INFLATION ASSESSMENT

MONEY CONFIDENT Kids®
Presented by T.RowePrice®

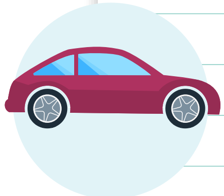
Show What You Know

3

You might know the price of something today, but because of **inflation**, it could change a lot in the future!

PART 1

Instructions: Here are the 1999 prices for five common items. Draw a line to match each with the price of the item in 2019. Notice the effect of inflation on the price and how the price of some items has increased more than others.


ITEM	1999 Price (22 Years Ago)	2021 Price (Price Today)
House	£120,000.00	£8.00
Chocolate bar (100g)	£0.00	£1.50
New car	£9,300.00	£230,000.00
Milk (1 pint)	£0.34	£37,185.00
Cinema ticket	£4.00	£0.49

Answer Key: (2021 Price): House, £230,000.00; New car, 26,000.00; Cinema ticket, £8.00; Chocolate bar, £1.50; Milk, £0.49.

Name____________________

MONEY AND INFLATION ASSESSMENT

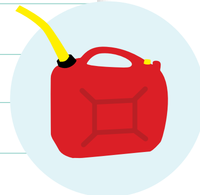
MONEY CONFIDENT Kids®
Presented by T.RowePrice®

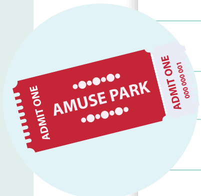
Show What You Know

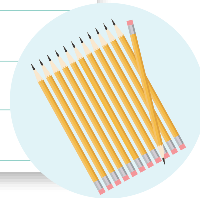
3

PART 2

Instructions: Calculate the annual percentage increase for the items below.
(Remember: To find a percentage increase, subtract the original price from the new price and divide the difference by the original price. Don't forget to convert your answer to a percentage.)







ITEM	2021 Price (Price Today)	2020 Price (1 Year Ago)	Inflation Rate
Winter coat	£95.00	£89.00	________%
Petrol (1 litre)	£1.25	£1.19	________%
Theme park admission	£55.00	£50.00	________%
Pencils (a pack of 12)	£3.65	£3.60	________%

Answer Key (rounded): Winter coat, 6.7%; Petrol, 5%; Theme park admission, 10%; Pencils, 1.4%.

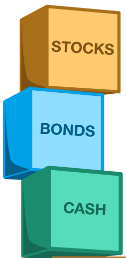
MONEY CONFIDENT Kids
Presented by T. Rowe Price

Asset Allocation

4

Taking a Sensible Risk

Hi, there! It's Nikki! It's been two years since I finished my master's, received a promotion at work and bought my house! It's within my budget, near my family and perfect for one person! Five or 10 years down the road, I'll want my own family and a bigger house, so I'll have to plan for even more expenses! Especially when my longer-term goals are to start my own software company and fund a scholarship or bursary at my university!



At lunch yesterday, my company gave a talk on "Personal Financial Planning and Asset Allocation." They mentioned that there are three basic building blocks to develop an asset allocation strategy: cash, bonds and shares. Each investment type has a risk (the danger of losing money) but also a reward (the chance to make money).

BUILDING BLOCKS FOR ASSET ALLOCATION

CASH

Cash is money kept in savings, a current account or other accounts of a financial institution like a bank. These accounts have a low reward, because they pay little or no interest, but are also low risk because bank accounts are regulated by the Financial Services Compensation Scheme (FSCS).

BONDS

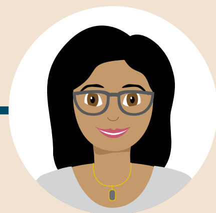
Bonds are like a loan to a company that promises to pay the loan back plus interest. Because interest rates on bonds are higher than rates given on cash accounts, the potential reward is higher. But there is also a risk of losing money if the company goes out of business or fails to make payments on the bonds.

STOCKS

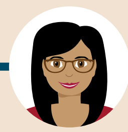
Shares give you part ownership in a company. The value of your share in the company can go up or down depending on changes in the stock market. Over time, shares have given the highest financial rewards, but there is the risk of losing some or all of your investment if the company performs poorly or goes out of business, or if the stock market declines.

LESSON 1

Asset Allocation is how your money is divided among stocks, bonds and cash according to your financial timeline and is key to achieving long-term goals.



Early Twenties

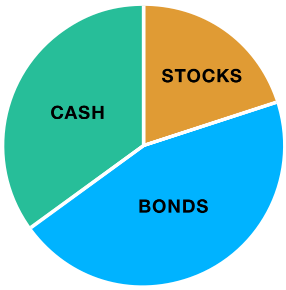


Mid-Twenties

Good thing I was having dinner with Mum and Dad and could learn even more about investing! Mum said that smart **asset allocation**—or having the right combination of cash, bonds and shares—is one key to successful investing. Her investment portfolio has grown nicely over the years because her asset allocation strategy was to invest more in shares. But, she said, strategies can shift depending on your timeline. Since she's approaching retirement, she'll probably want to rebalance her investments for less risk by increasing the number of bonds she has and reducing her shares. I was confused about why she'd change her strategy if she was making money. She explained that the closer you get to *needing* your money, the more you should reduce the risk of losing it. Great advice!

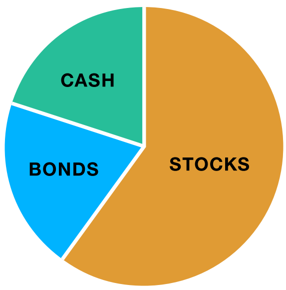
ASSET ALLOCATION MIX

SHORT-TERM TIMELINE



A financial goal with a short-term timeline means that you'll need your money soon. Reduce risk by limiting the amount you have in stocks and investing more in cash and bond options, which are less risky.

LONG-TERM TIMELINE



A financial goal with a long-term timeline means that you won't need your money right away and can accept more risk by investing more in stocks (stocks have the potential to earn more money, but they can also lose more money too).

Mum said an easy way to get started investing is to use an open-ended investment company (OEIC). An open-ended investment company is a collection of a number of different shares, bonds and other investments. Since the mix of investments in open-ended investment companies comes in different shapes and sizes, they meet the needs of different investment strategies.

Mum also mentioned Individual Saving Accounts (ISAs). These type of accounts allow you to save money and avoid paying taxes on interest. Some of them allow you to invest in stocks and shares, and others feature a government matching option up to 25% of the money saved.

When I told Mum I didn't know where to start, she suggested we set up a meeting with an independent financial advisor. I can't wait to get started!

WHAT'S THE
Big Plan?

Having an Asset Allocation strategy based on your timeline helps you save for long-term financial goals by using three major building blocks: Cash, Bonds, and Shares.

Name________________

ASSET ALLOCATION
ACTIVITY SHEET 1

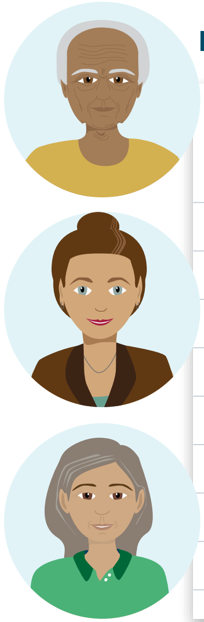
MONEY CONFIDENT Kids
Presented by T. Rowe Price

Can You Handle the Risk?

4

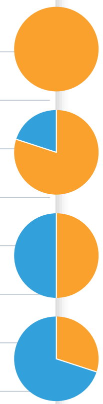
All investments have risks. For example, if you own shares in a company that goes out of business, those shares will lose value and you'll lose money. On the other hand, if you buy shares in a company that really takes off, your shares will go up in value and you'll make money.

Many young people, like Nikki, are willing to make higher-risk investments because even if they lose money, they know they have many years to make up for the loss. Someone like Nikki's mum, who is closer to retirement, will typically reallocate to lower-risk investments, since she will need to withdraw her money soon.



Instructions: Match the person with the appropriate investments.

Person	Investments
1. Desmond, an 85-year-old retiree	a. 100% invested in an open-ended investment company fund investing in new high-tech companies
2. Carmen, a 30-year-old lawyer	b. Open-ended investment company with 80% shares, 20% bonds
3. Indira, a 55-year-old electrician who expects to retire in 10 years	c. Open-ended investment company with 50% shares, 50% bonds
	d. Open-ended investment company with 30% shares and 70% bonds



STOCKS
BONDS

Explain your answer:

Desmond:

Carmen:

Indira:

Answer Key: (1) d. Desmond needs the income and relative safety that a higher percentage of bond funds gives him because he doesn't have income from a job anymore. He keeps a smaller percentage of shares to guard against the effects of inflation. (2) b. Carmen can afford to accept the higher risks but higher potential reward of shares because she has a high-paying job and has many years until retirement to weather the ups and downs of the stock market. (3) c. Even if the stock market declines over the next 10 years, Indira still has a good-sized investment in bonds that will give her a secure income as she begins retirement.

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Asset Allocation

4

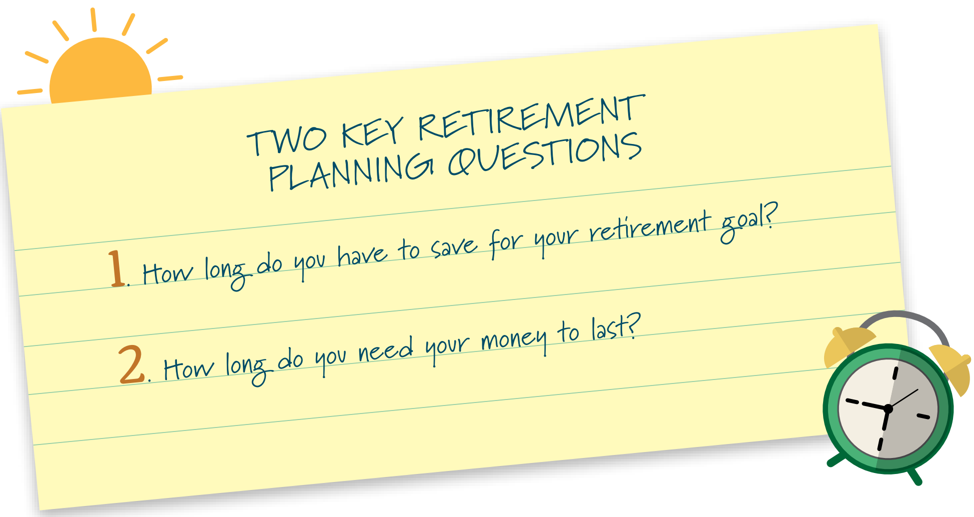
LESSON 2

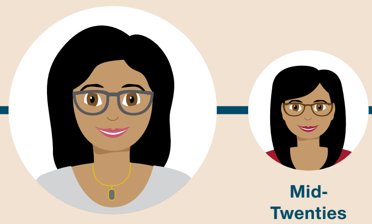
Asset Allocation
Long-term goals may seem far away, but starting to save early is important and you'll need a mix of investments to achieve them.

Finding the Right Mix

Hi, everyone—Nikki here! Even though I'm grown up now, I still ask my grandparents for advice, especially about retirement. It seems far away, but they say it's never too early to start saving! With my promotion, I'm able to put more money into my personal pension plan here at work. I'm excited to invest for my future! A personal pension plan is a special retirement account that lets you invest money you earn now which you get tax relief on. I decided to ask my grandparents for advice. I went to their house with my salary information and the brochures from the company.

Gran said that the key to a comfortable retirement is planning and saving early. She asked me the two key retirement planning questions: (1) How long do you have to save for your goal (retirement)? and (2) How long do you need your money to last? She always asks tough questions! Well, I'm about 40 years away from retirement—which is a really long timeline—and we worked out I'll need money to last me at least another 30+ years after I retire to cover me into my old age. So glad I'm starting early!

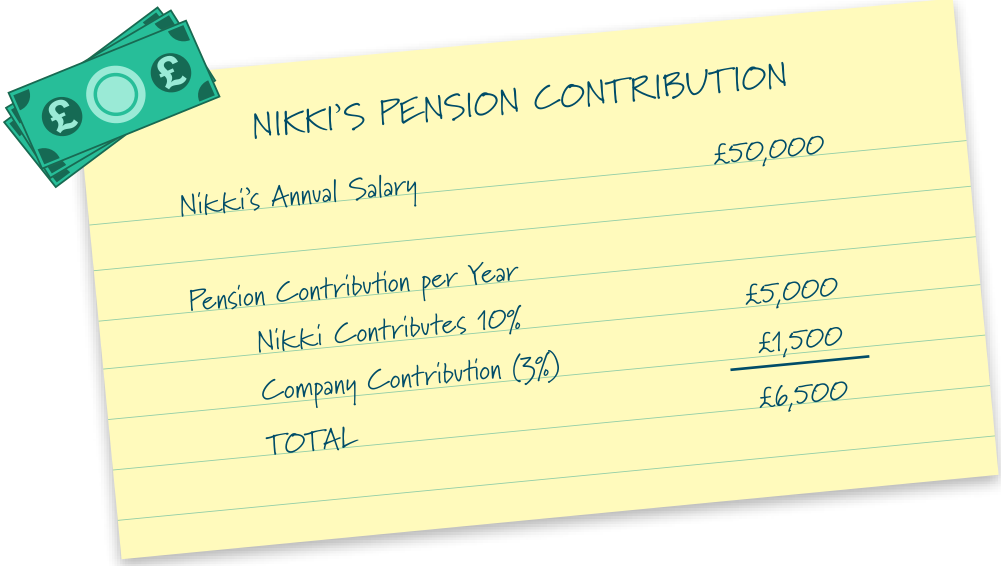




Early Twenties

Mid-Twenties

We went through the brochures and my salary slips. The funds for my personal pension plan would come out of my monthly salary, and my company also puts money in. By law, I must have 8% of my salary contributed to the pension plan. My employer must contribute at least 3% of my monthly salary to my pension; I have to contribute the rest. I wonder if I should choose to contribute more! I make £50,000 a year, so if I put 10% of my salary into a personal pension scheme, I'd contribute £5,000 and my company would contribute at least £1,500.



I decided to use my sister April's financial advisor. She's always talking about what a whiz Mrs. Kwok is! Together, Mrs. Kwok and I started to look at the open-ended investment company options offered by the investment company managing my pension scheme. Some of the funds included shares, some bonds and some a mix of the two. As I get older, like Mum, I'll rebalance my investments to include a greater percentage of bonds because they are less risky, and I won't have as much time to recover any losses.

WHAT'S THE

Big Plan?

Even though some of your financial goals seem like a long way off, if you start investing early and consider your timeline when choosing investments, you'll have a better chance of having enough money when you need it.

Name________________________

ASSET ALLOCATION GAME SHEET 1

MONEY CONFIDENT Kids
Presented by T.RowePrice

£10,000 Investment Game

Play the £10,000 Investment Game

You have £10,000 to invest.

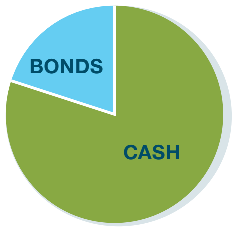
Review the Asset Allocation Models and the Investment Chart to the right.

Then select investments from the Investment Chart that best represent each asset allocation mix.

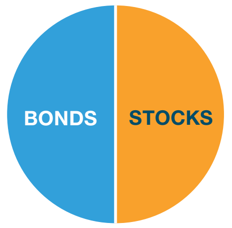
On the next page, choose how you want to allocate the £10,000 across the investments you selected (see example at top of next page).

(Continues on next page.)

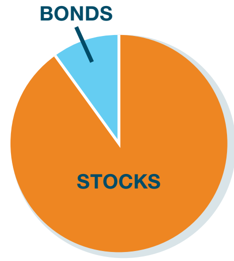
Asset Allocation Models



Short-Term Timeline
80% Cash, 20% Bonds

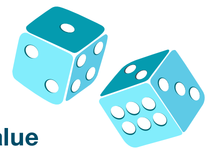


Medium-Term Timeline
50% Stocks, 50% Bonds



Long-Term Timeline
90% Stocks, 10% Bonds

Investment Chart



Risk	Investment Type	Dice Roll Value: 2	3–4	5–6	7–8	9–10	11	12
Low	CASH*	+ 2%	+ 2%	+ 2%	+ 2%	+ 2%	+ 2%	+ 2%
Risk	BONDS	+ 8%	+ 6%	+ 6%	+ 4%	+ 3%	0%	- 1%
High	STOCKS	- 25%	- 11%	- 5%	+ 12%	+ 16%	+ 21%	+ 30%

*Cash is a bank savings account or money market account.

Name______________________

ASSET ALLOCATION GAME SHEET 1

MONEY CONFIDENT Kids®
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4

£10,000 Investment Game

Play the £10,000 Investment Game
(Continued)

Select investments from the Investment Chart on the previous page that are appropriate for the timelines in the chart to the right.

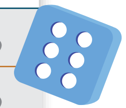
Roll the dice* to see how your investments perform by matching the dice roll value with your investments.

Then calculate your gain or loss by multiplying your investment by the percentage increase or decrease found in the chart on the previous page.

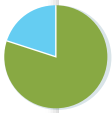
Extra Credit Analyse the Investment Chart on the prior page. As the investment risk increases, what trends do you see in the performance percentages? How did this affect the year-end values of your investments for the different timelines?

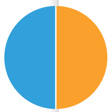
* Use real dice or an online dice application.

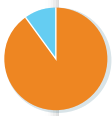
Track Your Money



Timeline	Dice Roll	Investment Type	Risk	Amount	% Change	Gain (Loss)	Year-End Value
Short-term example	6	Cash	Low	£8,000	+ 2%	£160	£8,160
	6	Bonds	Moderate	£2,000	+ 6%	£120	£2,120
Short-Term							
Medium-Term							
Long-Term							







Answer Key: Answers will vary, but low and moderate risk investments should have more consistent returns. Higher-risk investments have the potential for larger gains but also larger losses.

Name________________________

ASSET ALLOCATION ASSESSMENT

Having an asset allocation strategy that is in sync with your timeline is key to achieving long-term goals.

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Show What You Know

4

1. If your child were heading off to university in a year, a short-term timeline, would it be a good idea to invest the university fund 100% in shares?

2. To reach long-term goals, why should a person invest in a mix of shares and bonds and not just a savings account?

3. Why is it a good idea to review your asset allocation as you get older?

4. Why would a younger person want to have a higher percentage of shares in their **portfolio** than a person getting close to retirement age?

Answer Key: (1) No. Shares go up and down. If the stock market had a major decline, the value of the fund might not be enough. For goals with a short-term timeline, low-risk investments are best. (2) A savings account alone will not earn enough money to outpace the effects of inflation on purchasing power or enable one to reach long-term goals. Shares offer the opportunity for higher returns but can also lose value. Bonds can still carry some risk, but tehy offer more consistent interest income and tend to have lower investment returns than stocks. (3) As people age and get closer to retirement, they usually want to increase their overall percentage of bonds. They should periodically check their allocation percentages to make sure they're close to their target. If, for example, share values increase a lot, they might want to sell some shares and buy more bonds. (4) With investments, risk means that there is a chance that the value of the investments will decline. As people approach retirement, there isn't as much time to recover from significant investment losses, and income from investments is an important source of income for retirees.

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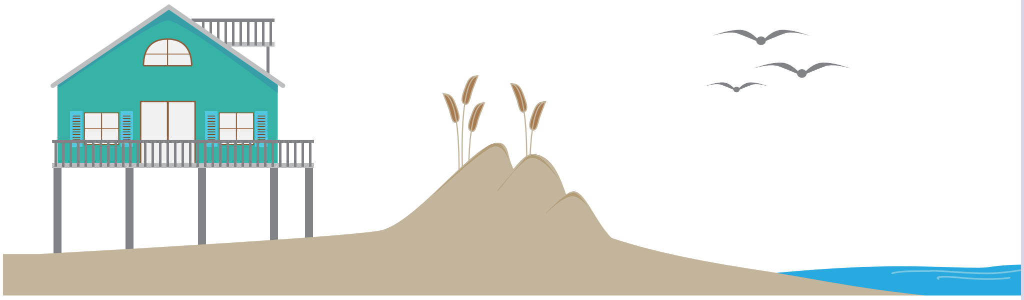
Diversification

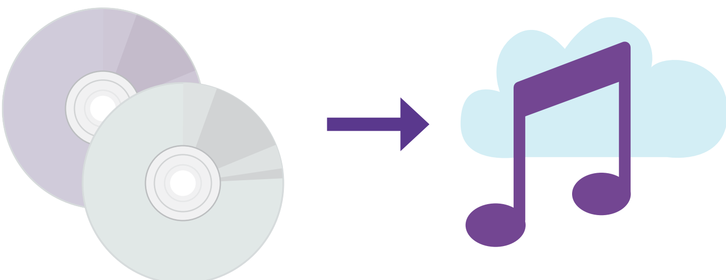
5

Investment Choices, Part A

Hi, Nikki here! I'm 25 years old and already dreaming of the future: retiring to a house by the sea! I'm relieved that I have a personal pension plan at work to help me save for the ultimate long-term goal—retirement. I've been learning more about the stock market, and I think I'm ready to do more investing. I made another appointment to speak with Mrs. Kwok, the financial advisor.

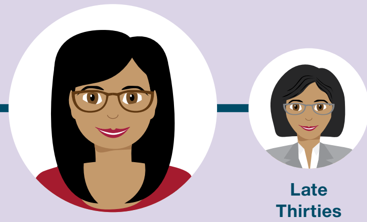


I asked if I should invest my money in shares in Batt. After all, our sales have been growing and the share price of the stock keeps increasing! But Mrs. Kwok pointed out that just because the company is doing well now, that may not be true in the future, so it would be a bad idea to invest everything in Batt. What if the company suddenly loses a lot of money? The shares would go down, and I would probably lose lots of money too! She gave me a great example to explain this: There were once companies that had shops that sold CDs. Their shares were very popular. Unfortunately, music streaming services made CDs seem out of date, and investors in those companies lost a lot of money. Mrs. Kwok said it would be a good to **diversify** (buy a variety of shares) so that if one share price drops, it won't seriously damage my finances. But how can I afford to buy a large number of shares? Mrs. Kwok reminded me that I invest in open-ended investment companies in my personal pension plan. Because each fund owns many shares, it gives me built-in diversification. It's sort of like buying a mixed salad!



LESSON 1

Diversification
Ever heard the old saying "Don't put all your eggs in one basket"? That's the idea behind diversification, which is really just another way of saying you should be putting your money in different types of investments to help reduce risk.



Mid-Twenties

Late Thirties

WHAT'S THE
Big Plan?

Diversifying your investments by owning different types of companies can help reduce the risk of your investments losing value when economic or political events affect a particular industry or company.

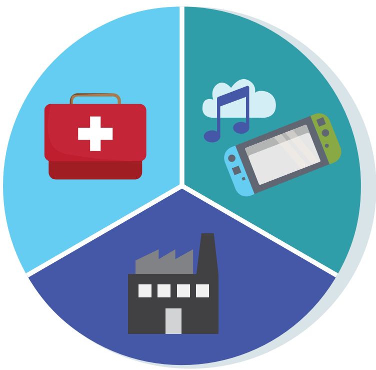
Diversification

5

Investment Choices, Part B

After doing more reading on diversification, I feel like I should talk to someone my age about where to start! Last night, I called my sister April for more advice. She's a doctor now, and although she's older than me, we have similar financial timelines. Plus, she's really clever and has been investing with Mrs. Kwok's help for several years! She loves to talk about money matters.

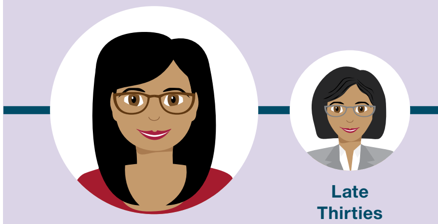
April said that as I'm 25, and have many years to deal with the ups and downs of the stock market, that it is okay to invest in shares for my long-term goals.



She wouldn't let me off the phone without reminding me of something Mrs. Kwok told her: If you use an open-ended investment company fund as part of your diversification strategy, make sure to research the open-ended investment company fund to understand the different types of shares it holds. The last thing you want is to have most of your money invested in one type of company or industry. For example, if you only invested in companies that produced fruit and vegetables and they lost a lot of money because bad weather wiped out the crops, then you will likely lose a lot of money too when their shares plummet. However, if your investments were spread over different types of industries and companies, such as technology companies, health companies, manufacturing companies, etc., then your investment would be diversified, and your losses would most likely be less because the fund spreads your money across different types of shares. Wow! This was getting very complex. When I asked Mrs. Kwok about it later, I decided to take notes on my laptop while she explained that April was right! It's important to have a mix of:

LESSON 2

Diversification
When it's time to invest your hard-earned money and help it grow for the future, you don't want to make your financial future dependent on a single investment.



DIVERSIFICATION MIX

STOCKS FROM DIFFERENT INDUSTRY SECTORS

INDUSTRIES

Sometimes events happen that help or hurt almost all the companies in a specific industry. For example, if the price of oil declines, many shares in the oil industry could suffer.

INTERNATIONAL STOCKS AND DOMESTIC STOCKS

INTERNATIONAL AND DOMESTIC

Consider a mix of companies based in the UK and other countries.

STOCKS OF DIFFERENT-SIZED COMPANIES

DIFFERENT-SIZED COMPANIES

It's good to have a mix of funds with the shares of small, medium-sized and large companies.

Thanks for the info, April and Mrs. Kwok. Looks like I have a lot more research to do!

WHAT'S THE
Big Plan?

Open-ended investment companies offer some built-in diversification because they have more than one type of shares in them; however, there are many different types of open-ended investment companies, and it's important to understand what types of investments they have.

Name_______________________________

DIVERSIFICATION ACTIVITY SHEET 1

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5

Spread It Around!

Economic Scenarios

The prices of shares go up and down for many different reasons. If a company introduces an exciting new product or has good earnings results, the shares in that company usually increase. The opposite happens with bad news for that company.

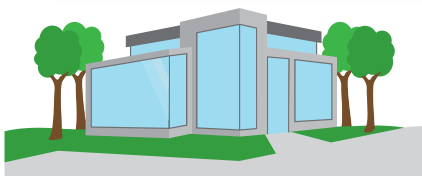
Sometimes, news affects an entire industry. If more people are buying products online, the shares of companies that sell their products through retail stores might decline. Political unrest or a natural disaster in one country might cause many shares in companies located in that country to decline. Then there are events that cause most shares to increase or decrease. Prospects for good economic times usually cause most shares to go up, while fears of hard times decrease the price of most shares.

Because it's impossible to know what the future holds, it is important to diversify so that bad times for some companies don't reduce the value of your whole portfolio.

This chart shows how open-ended investment companies can change from year to year depending on factors such as economic conditions.

PERFORMANCE CHART

Type of Fund	Year 1	Year 2	Year 3	Year 4	Year 5
Small Biotechnology Companies	+ 17%	- 37%	+ 22%	+ 10%	+ 32%
Medium-Sized Airline Companies	+ 19%	- 28%	+ 22%	+ 5%	+ 11%
Large Companies From Many Industries	+ 11%	- 6%	+ 20%	+ 7%	+ 8%
International—Large Consumer Products Companies	+ 6%	- 2%	+ 17%	- 5%	+ 6%



Review the chart above, then read through the five scenarios on the next page.

Name________________________

DIVERSIFICATION ACTIVITY SHEET 1

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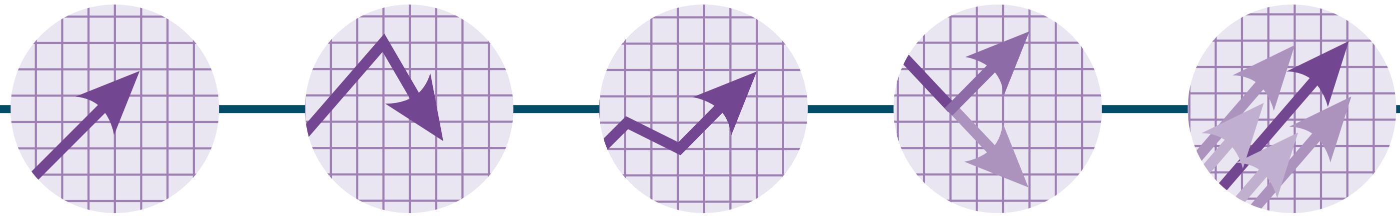
Spread It Around!

5

Economic Scenarios

(Continued)

Read the five scenarios for each year, and match them to the mutual fund Performance Chart on the previous page. Notice how the economic scenarios impact whether the returns are positive or negative.



Year 1 **Year 2** **Year 3** **Year 4** **Year 5**

Year 1: The economy is fairly stable, and all four funds had positive performance in a fairly stable market environment.

Year 2: The world entered a major economic recession, which caused a broad decline in investment performance around the world.

Year 3: Broad-based global economic recovery resulted in strong investment performance around the world.

Year 4: Australia experienced moderate economic growth, but other economies around the world declined.

Year 5: While all five funds had positive performance, the biotechnology fund soared, thanks to the introduction of exciting new biotechnology products.

Considering the industry fluctuations from year to year, explain why it is important to have a diversified portfolio.

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Answers will vary but should explain that the shares of different types of companies perform differently depending on economic conditions. With a diversified portfolio, losses in some areas can be offset by gains in others.

Name________________________

DIVERSIFICATION ACTIVITY SHEET 2

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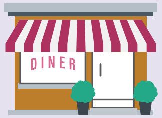
Can This Portfolio Be Saved?

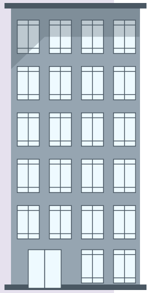
5

Diversified Portfolio

As an investor, you want to make sure that your stock portfolio is adequately diversified.



The stock portion of three different portfolios is presented on the right.



The shares in the companies they own are not spread out among different industries and don't have a good mix of domestic and international companies, or a mix of small, medium-sized and large companies.

Instructions: Review the portfolios and consider how they can be more diversified among different industries. Now go to the next page and find a list of recommended stocks to pick from.

(Continues on next page.)

Ms. Mehta

Company	Industry	Size	Domestic or International
LMN Pharmaceutical	Health Care	Small	Domestic
NVM Bank	Financials	Large	International
JL Therapeutics	Health Care	Small	Domestic
Magnum Bank	Financials	Large	Domestic
GR Biomedical	Health Care	Medium	Domestic

Mr. O'Connell

Company	Industry	Size	Domestic or International
Magnum Bank	Financials	Large	Domestic
Gilmore Systems	Technology	Large	Domestic
Ledman Applications	Technology	Large	Domestic
TLT Dynamics	Technology	Large	Domestic
GR Biomedical	Health Care	Medium	Domestic

Ms. Jackson

Company	Industry	Size	Domestic or International
LLL Electric and Gas	Utilities	Medium	Domestic
TLT Dynamics	Technology	Large	Domestic
Giant Manufacturing	Manufacturing	Large	International
YY Products	Consumer Goods	Small	International
Northwest Gas	Utilities	Large	Domestic

Name________________________________

DIVERSIFICATION ACTIVITY SHEET 2

MONEY CONFIDENT Kids
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Can This Portfolio Be Saved?

5

Diversified Portfolio

Instructions: Review these portfolios for proper diversification. To improve diversification, consider substituting up to three of the groups of shares in the portfolios for shares in an investment firm's list of recommended shares.

(Continues on next page.)

RECOMMENDED STOCK LIST

Company	Industry	Size	Domestic or International
NVM Bank	Financials	Large	International
Overlord Exploration	Energy	Small	Domestic
LLL Electric and Gas	Utilities	Medium	Domestic
Samson Development	Real Estate	Small	Domestic
Giant Manufacturing	Manufacturing	Large	International
Peter Networks	Telecommunications	Medium	Domestic
GR Biomedical	Health Care	Medium	Domestic
Crown Mining	Materials	Large	Domestic
TLT Dynamics	Technology	Large	Domestic
YY Products	Consumer Goods	Small	International

These are the changes I would make to each person's portfolio. (Explain your answer.):

Ms. Mehta

Name________________________

DIVERSIFICATION ACTIVITY SHEET 2

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Can This Portfolio Be Saved?

5

Diversified Portfolio

Instructions: See instructions on page 45 to make changes to the portfolios shown here.

These are the changes I would make to each person's portfolio. (Explain your answer.)

Mr. O'Connell

Ms. Jackson

Answer Key: Ms. Mehta's financial assets are too heavily concentrated in the health care and financial industries. Consider removing JL Therapeutics, LMN Pharmaceutical, and Magnum Bank and adding three from the following: Overlord Exploration, LLL Electric and Gas, Samson Development, Peter Networks, Crown Mining, and YY Products.

Mr. O'Connell's financial assets are too heavily concentrated in large, domestic companies in the information technology industry. Consider removing Ledman Applications and Gilmore Systems and adding three from the following: Overlord Exploration, LLL Electric and Gas, Samson Development, Giant Manufacturing, GR Biomedical, and YY Products.

Ms. Jackson has a fairly diversified portfolio already, but her assets are too heavily concentrated in utility companies. Consider removing Northwest Gas and adding one of the domestic companies.

Name________________________________

DIVERSIFICATION ASSESSMENT

MONEY CONFIDENT Kids
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5

Show What You Know

You don't want your financial future to be dependent on a single investment. You've learned the concept of diversification as a strategy to reduce the risk of your investments losing value when negative events hurt a particular industry or company.

1. You have worked for a popular social media company for 15 years. During that time, you participated in the company's share ownership plan and the value of your account now totals £600,000. This represents 80% of the value of your total investments. The company is doing very well and expects to do well in the future. Are your investments diversified? Explain the risk in this scenario.

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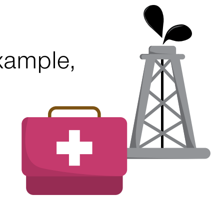
2. What types of shares should you consider owning to help you diversify your investments?

   a.) Large, medium-sized, and small companies

   b.) Domestic and international companies

   c.) Companies in a variety of industries; for example, health care, energy, technology, etc.

   d.) All of the above



3. Why might an investor want to own stock in companies located outside the UK?

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Answer Key: See next page.

Name________________________________

DIVERSIFICATION ASSESSMENT

MONEY CONFIDENT Kids®

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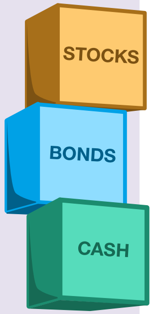
Show What You Know

5

(Continued)



4. Why is it important to diversify your investments?

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5. Why should an investor consider buying a stock mutual fund rather than buying the stock of a single company?

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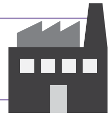


Answer Key: (1) The portfolio is not diversified, so some of the shares should be sold so that shares in many types of companies can be purchased. (2) d. (3) To diversify. If the UK economy slows, economies of other countries might be picking up; and the shares of companies based overseas might be better performers. (4) To reduce risk. (5) If someone invests in one or even just a few shares, then if those companies go bankrupt or lose value, the investor can lose a significant amount of money.

Name________________________________

FINAL ASSESSMENT

MONEY CONFIDENT Kids

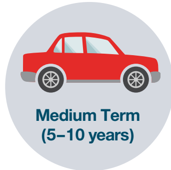
Presented by T.Rowe Price

Show What You Know

Congratulations! You've completed the Money Confident Kids Programme.

You've had the opportunity to follow Nikki as she prepared for her education and career, taking the proper financial steps to succeed in her dream career. I hope what you've learned about saving and making wise spending decisions will help you plan for a successful future.

1. List two examples of goals that have a short-, medium- and long-term timeline.



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2. How can a budget help you meet your goals?

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3. Why do you have to consider inflation when you plan financial goals?

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Name____________________

FINAL ASSESSMENT

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4. Why do you need to consider diversification when you invest money?

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5. Why would you want to adjust your allocation of cash, bonds and shares as you get older and have a shorter retirement timeline?

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Answer Key: (1) Answers will vary. Short: food, a new jacket. Medium: living expenses at university, car. Long: buying a home, retirement. (2) Remember that Savings = Income - Expenses. Keeping a record of your income, expenses and savings can help you find opportunities to reduce your expenses increase your income, and save more money. (3) If you don't consider inflation, you might find that something you've been saving for over the long term has gone up in price and you can't afford it. Diversification helps to reduce risk. (4) Without adequate diversification, the value of your investments might suffer if a certain company or type of company declines in value. (5) As people get closer to retirement, they tend to allocate more to bonds and less to shares. This helps reduce their risk, as they will need the money pretty soon and won't have a lot of time to bounce back if their shares decrease in value. (6) Having an investment in the shares of a single company is risky. If the company's business doesn't do well, then the shares will lose some or all of their value. If a person's investments are diversified, then a loss in one company won't be as devastating.

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Conclusion

Goodbye and Good Luck

Hi there! It's Nikki...and guess what? I just received the best birthday present EVER! I was promoted to Managing Director of Batt Software. I achieved my career goal at 38! Now I have dreams of developing products that will help people around the world and keep the company financially strong. I've also managed to reach my personal financial goals. I have enough cash in savings in case an unexpected expense like a car repair comes up, and my investments, including my retirement account, are doing well. Sometimes they go up and sometimes they go down, but I don't worry about it because I'm properly diversified and because I won't need to use the money for many years until retirement. I moved into a house that's big enough for my family, and I pay my mortgage payments on time and am building a good credit rating. And I'm happy to tell you that I have two wonderful children! They're young now, but I've already started saving for their university living costs. I can't wait to teach them about how to make sensible money choices the way my family taught me.

What's my secret? Well, I started by sorting out my goals when I was at school like you, focusing on what was important to me over short-, medium- and long-term timelines. I got lots of advice from people with experience in financial matters. And once I set my goals and learned how to achieve them, it was a matter of hard work and discipline. I gave up the momentary pleasure of things that really didn't matter, so that I could save for the important things. And let me tell you, changing my habits and planning for the future was SO worth it! I'm proof that it's never too early to learn good money habits. I know that you can do it too!

GOAL

THANK YOU

We hope you enjoyed this programme and are inspired to think about your future and how careful financial planning can help you reach your goals.

Late Thirties

MONEY CONFIDENT Kids
Presented by T.RowePrice

Glossary

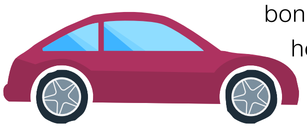
Language of Money

Money words help you talk pounds and pence. As you learn more about creating realistic goals and investing your money, you'll encounter a lot of new words. Learning the "language of money" can help you make smart financial decisions and talk about money with others—like your family and other adults.

An **account** is a place to put your money. You can have an account at a bank or other financial institution. A current account is a bank account used for cash deposits and withdrawals on a day-to-day basis. A savings account is also a bank account, but it is used primarily to save money and potentially earn interest.

An **allowance** is pocket money given to a person on a regular basis for his or her personal spending. Many kids are given an allowance by their parents for doing chores at home.

An **asset** is anything that has a financial worth. Cash, savings accounts, stocks, bonds, mutual funds, houses and cars are examples of assets.



Asset allocation is how your money is divided among stocks, bonds and short-term investments. For instance, you can put some of your money in a savings account and invest some money in stocks, bonds and mutual funds.

A **bond** is a loan to companies or the government. We have government bonds corporate bonds in the UK. Government bonds carry a lower risk and are issued by the UK government. Corporate bonds are issued by companies.

A **budget** is a plan of how much money a person or business has to spend and how it will be spent. For instance, your home budget might include rent, utilities, food, clothing, car payment, pet care and insurance.

A **credit card** is a small plastic card or virtual card via an app on your phone issued by a bank or business that lets you buy goods or services with the promise that you'll pay at a later date. When you "charge" goods or services on a credit card, you are borrowing someone else's money—and you have to pay it back, usually with interest.

A **credit rating** measures the probability that you will repay a debt such as a credit card bill, auto loan or mortgage. The higher your credit rating, the more likely you will be able to get a loan or credit.

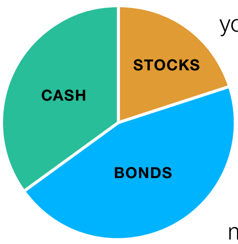
A **debit card** is a small plastic payment card that deducts money directly from a consumer's bank account to pay for a purchase.

Debt is money you owe when you buy on credit or borrow from someone else. Any money you have to pay back can be considered debt.

A **deposit** is money you put in your account.

A **deposit** is a partial payment made at the time you make a purchase, with the remainder due over a given time period. Used primarily for larger purchases such as a house or car.

Diversification means having lots of different kinds of investments (different types of stocks, different types of bonds, etc.). For example, if you invest in skateboard stock and kids stop buying skateboards, you could lose all the money you have invested. Instead, if you invest money in skateboards, pizza and computers, and kids stop buying skateboards, you might lose only the money you invested in skateboards—not all of it. Diversification cannot guarantee that your investments will make money or protect against loss if the market goes down.



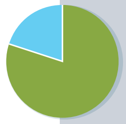
Expenses are the amount you pay for purchases such as food and clothing; also includes payments for rent, a mortgage or other regularly scheduled bills.

Financial planning is deciding on the most important goals for your future and carefully saving and investing so you can meet these goals.

Financial Strategy is a financial plan that helps secure your financial future that includes your daily expenses along with larger items such as a house, a car, and saving for retirement. This strategy includes a plan for saving and investing your money.

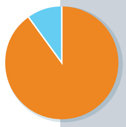
Financial timeline is how long it is before you plan to spend your money on a specific goal. This determines how your money should be divided between stocks, bonds and short-term investments.

Something you need immediately or within a few years (under four years) has a **short-term timeline**.



Something you save for over several years (between five and 10 years) has a **medium-term timeline**.

Something you save for that will happen many years or decades in the future (over 10 years), like retirement, has a **long-term timeline**.



Income is the amount of money you regularly receive from sources such as your job, investments, pensions and social security.

Industry sector is a group of companies that produce similar products or services, for example, agriculture, mining, banking and financial services.

Inflation is the general increase in the price of goods and services. Money loses value due to inflation, so it will be more expensive to buy products in the future. For example, in 1939, a car cost £400. A similar car today would cost almost £15,000 at a 1.5% rate of inflation.

Insurance helps protect individuals or companies by paying them if they suffer losses due to fire, theft, or injury. Individuals can also buy life insurance to pay their dependents in case they die.

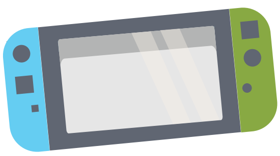
Interest can be an amount of money an investment earns or an amount of money that is added to money you borrowed. If you have a savings account, your money can earn interest—and then you'll have even more money. However, if you borrow money (like using a credit card), you will have to pay interest on top of what you borrowed. That's expensive.

You **invest** by putting money into assets (such as stocks, shares, bonds or mutual funds) to help you reach your financial goals.

An **investment** is anything that you buy in hopes that it will increase in value.

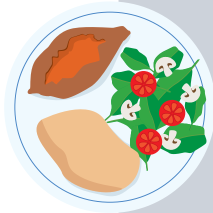
A **loan** is money that's borrowed and expected to be repaid, usually with added interest.

A **luxury** is something you don't need. It can be a material object or a service that you want but could live without. For example, you need shoes to wear, but you don't need to buy the most expensive pair or a new pair every month.



A **mutual fund** combines the money of many investors who have common financial goals into a professionally managed portfolio. Mutual funds take the money and 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 are the basic things necessary to live or do your job (such as a place to live, food, clothes or transportation to work). Needs are often confused with wants. For instance, you may need transportation to work and school, but you don't need a £40,000 sports car. You may want a sports car, but you don't need it.



A **pension or retirement plan** is a savings plan companies offer that allows their employees to prepare for retirement. Employees make contributions to the plan from their salary, which may be matched by their employer. Any gains in employee accounts are not taxed until the employee withdraws their money, so the account can grow tax-free until retirement.

A **portfolio** is a group of investments owned by a person, investment company or financial institution. Your portfolio may include different types of investments.

Retirement is the period in someone's life after they have stopped working because they have reached a particular age.

A **return** is the gain (or loss) of money from an investment in a particular time period.

Risk comes in many different forms. Two types of risks are the risk of losing money and the risk of not gaining enough to reach your goal. Your asset allocation helps you keep the right balance of these risks for your goal. Another risk you'll face is having most or all of your money in an investment that does worse than your other choices. Diversification helps reduce how much of this risk you have.

Savings are how much money you have in your bank account, brokerage accounts and retirement accounts (a pension or retirement plan, for example).

A **savings account** is one place to put your money to help achieve your financial goals. When you put your money in a savings account, the bank "borrows" your money and pays you interest. Please note that while money invested in savings accounts is usually insured against loss, you earn a very low interest rate.

A **stock** is 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. They also have had the biggest swings in performance and are subject to much greater short-term risk of losing money. Of course, just because something happened in the past doesn't mean it will happen again.

The **stock market** is where shares of stock of different companies are bought and sold.

A **stockholder** (or shareholder) is a person who owns stock (shares) in a company.

Wants are things you don't need to live or do your job. For example, you might want to eat out every day, but you don't need to. A want can also be considered a luxury.

NOTES

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