MONEY CONFIDENT Kids®

Presented by T. Rowe Price®

Building Wealth:

Opportunities, Barriers & Race

Students will explore tools and strategies for generating financial stability, plus analyze obstacles that drive financial inequity, including the racial wealth gap.

Objective

Students will:

- Explore how access and obstacles to wealth can impact long-term financial stability
- Read about and discuss the role of systemic racism in American history
- Apply math concepts (including percentages, unit rates, and decimals) to financial scenarios

Standards

Social Studies—C3

D2.Eco.1&2.6–8 Economic decisions; costs and benefits to individuals, groups, and society

Financial Literacy—Jump$tart

Spending and Saving Standard 4, Employment and Income 2 & 3, Investing 1 & 2, Risk-Management 1, Financial Decision-Making 1 & 8

Time

Part 1

1 period; additional time for deeper discussion as needed

Part 2

1–2 periods

Materials

Part 1

- Wealth-Building Toolbox activity sheet
- Using Wealth-Building Tools resource sheet
- Building Wealth Scenarios (three sheets)
- Analyze Financial Growth sheet

Part 2

- Reading passages
- Optional Media Connections
  - Wage Gap (news article): Gender pay gap example
  - Home Value (video): Racial discrimination example
  - Tulsa Race Massacre (video): A survivor speaks. Review before showing students. Recommended clips: 0:00–2:48 & 4:18–5:52.

Part 1

The Wealth-Building Journey

1 Prompt students to define wealth. Explain: *While there is a common understanding that having wealth means being rich, everyone can have a certain amount of wealth*. The goal of financial health is to have enough wealth for a stable life where you can cover your expenses and pay for unexpected events like a broken car or medical payment.

2 Introduce this 'equation': *wealth = assets – debt*. Have volunteers provide examples of wealth, assets, and debt. Underscore that wealth allows us to have shelter, food, medical care, education, relaxation, and more. Many of us inherit our financial circumstances based on our family's level of wealth. While wealth is celebrated, it should not be used to measure an individual's worth.

3 Distribute the **Wealth-Building Toolbox activity sheet** and have students match the terms with the definitions. Then, share the **Using Wealth-Building Tools resource sheet** to enhance students' understanding. Discuss any questions students have.

4 Hand out the **three scenarios sheets**. In pairs, have students read each scenario as the two characters, discuss, and then write down their plan of action individually. (They can refer to the resource sheets.) Then, have a few volunteers share takeaways with the class.

5 Hand out the **Analyze Financial Growth activity sheet** for students to complete individually**.** Then, explain that financial stability is affected by things that people do and don't have control over, such as policies with different impacts by gender and race, which we will explore next.

Part 2

Financial Justice & Race

See the resources for discussing race on page 3. Review the reading passages before you distribute to your class.

1 Set the stage by discussing the factors involved in building wealth, such as:

Personal choice in financial decision-making includes budgeting, planning, risk-taking, and the use of educational and career opportunities.

U.S. laws and economic policies create both access and obstacles to wealth. These policies have not been applied equally to all people, leading to unfair outcomes like the racial wealth gap. The multigenerational impact of these policies has led to increased inequality.

Racism has negatively impacted society and some people's economic status.

2 Distribute the **reading passages**. Have volunteers read while students follow along. Discuss the questions at the bottom of each sheet. Optional: Show the video/media resources.

3 Wrap up by discussing:

- How are an individual's finances connected to planning, chance, and/or societal issues like justice or injustice?
- Which financial practices, fair or unfair, were most surprising or memorable for you? Why? How can we work to reduce unjust practices?

ANSWER KEYS: Analyze Financial Growth 1a) $330,000. 1b) $106,000. 1c) An earlier start grows more. 2) $120,000; $148,934; $28,934. **Wage Gap** $10,000; $30,000; Year 5: $560,000.

Resources & Support

Before teaching this lesson, review these resources.

Support for Teaching About Race and Equity

- Talk about race as an educator with resources from the **National Museum of African American History & Culture**, including discussing:
  - Race and racial identity
  - Social identities and systems of oppression
- Explain systemic racism with video clips from **Race Forward**.

Guidance for Responding if a Student Says Something Racist or Offensive

- Guide from **Learning for Justice**
- Article from **Momentous Institute**
- Article from **Association for Middle Level Education**

Guidance for Supporting Students Who Are Anxious About Financial Inequity

- For some communities, finances are a heavy topic. It is important to explore students' attitudes about money, finances, and wealth prior to the lesson. This baseline understanding will give you the opportunity to monitor the emotional reactions of your students.

- If students appear discouraged by the conversation, point out that many institutions and communities have secured positive progress and growth over time—and work is continuing across the nation to create financial justice.

- Consider collaborating with a school counselor or school leader to provide support and/or private opportunities for students to process material and anxiety around the topic. If you are open to it, let students know they can also come to you privately.

- Allow students to discuss how they have seen financial policies play out in this country and in their communities. Have students journal about their own experiences with finances.

- Acknowledge and validate the role that racism plays in limiting financial opportunities and social mobility. However, be mindful to keep an emphasis on possibility and potential for growth.

Social Studies Connections

Key Historical Moments for Financial Literacy

Teaching history is inextricably entwined with teaching financial literacy, intergenerational wealth, and racial justice. Race, gender, and dis/ability-based inequalities in our country's economic policies, laws, and social norms have created disparate wealth-building opportunities in the U.S., leading to longstanding wealth gaps between groups that persist today, with dire consequences.

Below is a sampling of key historical moments that readily connect to financial literacy. Teach how financial repercussions echo through the generations and affect intergenerational wealth, and teach important skills and attitudes that students can adopt to help build a more stable financial future for themselves and our nation.

- Enslavement
- Civil War
- Sharecropping
- Reconstruction
- Homestead Acts
- Freedman's Bank collapse
- Black Codes & Jim Crow
- Great Migration
- World War I
- Federal Housing Administration & Redlining
- Labor unions
- World War II & GI Bill
- Civil Rights Act
- Equal Credit Opportunity Act
- Predatory lending & subprime mortgages

Deep Dive Into Financial Literacy

Use the Money Confident Kids financial literacy resources to teach vital concepts such as budgeting, goal setting, homeownership, inflation, and asset allocation.

To learn more about these age-appropriate digital resources, visit moneyconfidentkids.com.

Name ______________________________

Wealth-Building Toolbox

To build wealth for a secure life, it's important to use a variety of strategies. Check your knowledge by matching the wealth-building tools in the Word Bank with their definitions.

WORD BANK

Income	Savings Account	Emergency Fund
Budgeting	Homeownership	Insurance
Retirement Planning	Investing	Credit

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Considering how many years you expect to work, how long you need your money to last afterward, and **setting up tax-advantaged accounts**, such as a 401(k) or IRA

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Purchasing one's home, such as by **taking out a mortgage loan** to pay off over 15–30 years

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Money received in exchange for work or through investing

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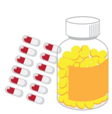
Money set aside for unplanned expenses



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A **bank account used to hold money** securely until it's needed for purchases or emergencies—unlike a checking account, which is used for everyday expenses

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Buying stocks or bonds with the expectation that they will be worth more money over time (to decrease the risk, it's best to buy a mix of different types)

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A **contract guaranteeing financial compensation** for certain losses (such as medical bills or car accidents) in exchange for paying a premium (a fixed amount, often paid monthly)

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The **ability to obtain something of value before payment**, based on an agreement to pay for it later; may involve paying interest on the original amount

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A **plan for how to distribute income** between types of expenses and savings

Using Wealth-Building Tools

How can you get the most out of important financial tools? Read on for some tips.

INCOME & COLLEGE

Earning a college degree can increase your income.

If you are considering taking on a student loan for college, figure out what the average salary is for the job you want and make sure you'll have enough extra cash after expenses to make loan payments. Otherwise, choose a more affordable college.

INVESTING

Stocks tend to yield more money over time but also have more of a chance of losing money than *bonds*.

If you're investing for a far-off goal, like retirement, you can have more stocks than bonds in your mix because there's plenty of time for any temporary losses to balance out with how the stock market generally grows over time because of inflation, innovation, and more.

RETIREMENT PLANNING

Putting 10% to 15% of your income each year into a retirement account will help you live comfortably when you retire.

If your employer offers a 401(k), you contribute to it by setting a certain percentage of your paycheck to be transferred directly into the account.

There's another tax-advantaged retirement account called an IRA, which is separate from an employer. You can put $6,000 a year into it. People can have both types of accounts.

Name ____

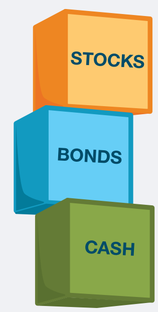
Building Wealth Scenarios: Getting Started

Building wealth helps people live comfortable and secure lives. Practice using the tools of wealth-building by applying them to these common scenarios.

Directions: In pairs, read aloud each scenario, with each partner acting out one character. Then, discuss how to handle the situation. Use the Wealth-Building Toolbox terms and refer to the box below to write down your plan on the lines provided.

TOOLS FOR BUILDING WEALTH

- **Commit to being in charge** of your finances. Make a plan and stick to it.
- **Create a budget.** Follow it. Save as much as you can.
- **Build an emergency fund.** Putting money aside for emergencies can help you avoid debt if an unexpected expense comes up.
- **Understand credit.** If you use a credit card and don't pay off the whole bill when it's due, you end up paying more in the long term, because you are charged interest on your debt.
- **Grow your money.** Invest in the stock market (with a mix of investments to balance out the risk). Also, buying a home with a mortgage (a loan) is a way to build home equity and gain value as you pay off the loan. But make sure you don't invest money you need for your living expenses or take on a mortgage that will be too expensive to pay off.
- **Save for retirement.** Because of compound interest, starting to save money early means your money can grow tremendously over the decades.



SCENARIO 1 Planning for Expected Expenses

Ugh, this keeps happening to me! I run out of money and have to choose between paying my phone bill and buying enough groceries. How do you stay on top of your bills??

Well, what do you do when you get your paycheck?

I don't know, I just spend it.

You need a plan for saving your money, and then growing the money you save. You can:

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SCENARIO 2 Planning for **Un**expected Expenses

Whoo hoo, I just invested all my savings in the stock market!

Wait, what? ALL of your savings? What will you do if, like, your car gets smashed up?

...I don't know. How can I plan for unexpected expenses so I'm protected?

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Name ____

Building Wealth Scenarios: Growing Wealth

SCENARIO 3 College & Student Debt

I got in to my TOP college choice! One problem—it's super expensive and I'd take on a huge student loan of $200,000. But I assume I'll get an amazing job after!

I just looked up a loan like that...it could take you 20 years to pay off, and you could end up paying $300,000 with interest. That's $1,300 a month, on top of your other expenses like rent and food...and fun! You think you'll be able to pay that back?

Whoa, that's more money than I expected. I also got in to a good college that would require a $25,000 loan.

Maybe I'll ____

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SCENARIO 4 Depreciating vs. Appreciating Assets

I have some savings...it could be fun to buy a really nice car!

Is it worth it? Isn't your job right next to a train stop?

Hmm. True. If I used public transportation, I could put my savings toward a down payment for an apartment.

Yeah, then your money would be growing in value as your home grows in value. Unlike a car, which is worth less as the years pass. So, which choice do you think is better for you and why?

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SCENARIO 5 Asset Allocation

I want to invest, but how do I decide how much money to put in stocks vs bonds?

Well, one of the main ways to decide is to consider how soon you'll need the money. Stocks are riskier—you could lose money—but you also have more of a chance of gaining money than with bonds. What do you want to use the money for?

For retirement—40 years from now.

With decades to go, do you think you would choose a riskier investment like stocks or a safer investment where you might earn a lot less, like bonds?

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Name ____

Building Wealth Scenarios: Retirement

SCENARIO 6 Job Benefits

You'll never believe it—I got TWO job offers today!!

Wow, CONGRATS! How are you going to decide? Those jobs you applied to seemed similar.

Well, one pays about $3,000 more, so I'll probably just go with that one.

Do the jobs come with benefits, like health insurance and a 401(k) retirement account?

The other job offers a 401(k)...oh hey, this says they'll add 3% of my salary into it!

Over time, that could REALLY add up. So, which job are you going to pick and why?

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SCENARIO 7 How Does Tax Figure In?

My company said my retirement account is tax-advantaged. What does that mean?!

You know how you pay taxes on your income? The average American pays about 30% of their income in taxes. But with certain retirement accounts, like a 401(k) or traditional IRA, that money is taken out of your salary before taxes! It grows for decades, tax-free. Then when you retire, you pay taxes on the money as you withdraw (take it out). Why do you think that's helpful?

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SCENARIO 8 Retirement Accounts

You look upset—what's going on?

I checked the balance of my retirement account and I'm not on track to have enough by the time I retire. I had set it up so that 3% of my paycheck went into my 401(k), and my company only matches (also puts in) 3%. What else can I do?!

Did you know you can save more than your company matches? And have you thought of opening an independent retirement account?

No, I didn't know I could do that. What kind of account should I open and how much should I save?

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Name ____

Analyze Financial Growth

Homeownership and investing in a retirement account are powerful tools to help you build a safe and happy future.

1. Many people retire (stop working for a salary) at about age 65. So how do they pay for their expenses? One important strategy is to begin investing money in a retirement account that increases in value over time with the stock market. It's a good idea to start saving for retirement as soon as you get your first adult job, so your money has decades to grow.

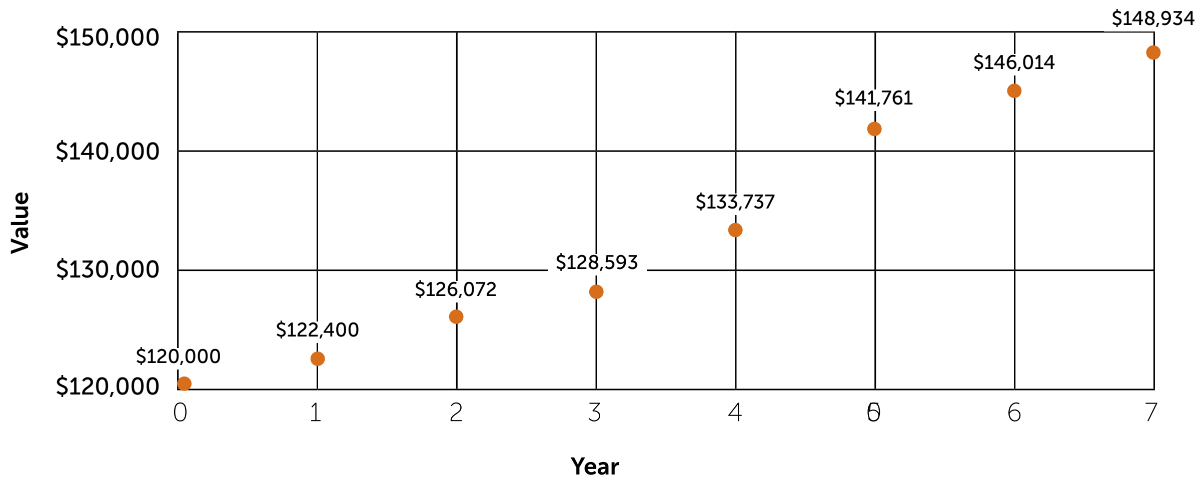
Consider this. Persons A & B are both age 40, with very different account balances. Both accounts had an average annual rate of return of 7%. Examine the table below, which shows the power of compounding interest, then answer the questions that follow.

Name	Age they started investing in their retirement account	Amount they invested each year	Balance in their 401(k) retirement account at age 40
Person A	20	$6,000	$336,000
Person B	30	$6,000	$112,000

a. Person A's retirement savings grew by $____________.
b. Person B's retirement savings grew by $____________.
c. *Reflect:* How does this table show that starting to save for retirement early in your career is important?

2. **Examine the graph below, then fill in the caption explaining what the data demonstrates.**

A Home's Value Over Time (Example)



The original value of the home was $____________. After 7 years, the home's value was $____________. That means, after 7 years of appreciation (increase in value), the home's value increased by $____________.
Reflect: Why are homes an effective way to produce intergenerational wealth?

The Wage Gap

A *wage gap* is the difference in earnings between groups of people. Does it surprise you to know that overall, women earn 82 cents for every dollar White men do in the United States? This gap gets bigger when race is factored in. Hispanic women earn 55 cents, Native American women 60 cents, and Black women 63 cents for every dollar White men earn. Over a lifetime, this earnings gap can add up to hundreds of thousands of dollars.

Factors Contributing to the Wage Gap

- **Equal Pay:** Historically, women and people of color have earned less than White men. Though it's now illegal and the gap is narrowing, paying women and people of color less for the same work still happens today.
- **Access to Education:** Many well-paying jobs require expensive skills training or college degrees which not everyone can afford. Unequal funding of education also has an impact.
- **Workplace Barriers:** Statistically, women and people of color are less likely to be given promotions or raises, even when they perform well.
- **Kinds of Work:** Some important jobs more commonly done by women and people of color receive lower pay and lower value than other jobs.

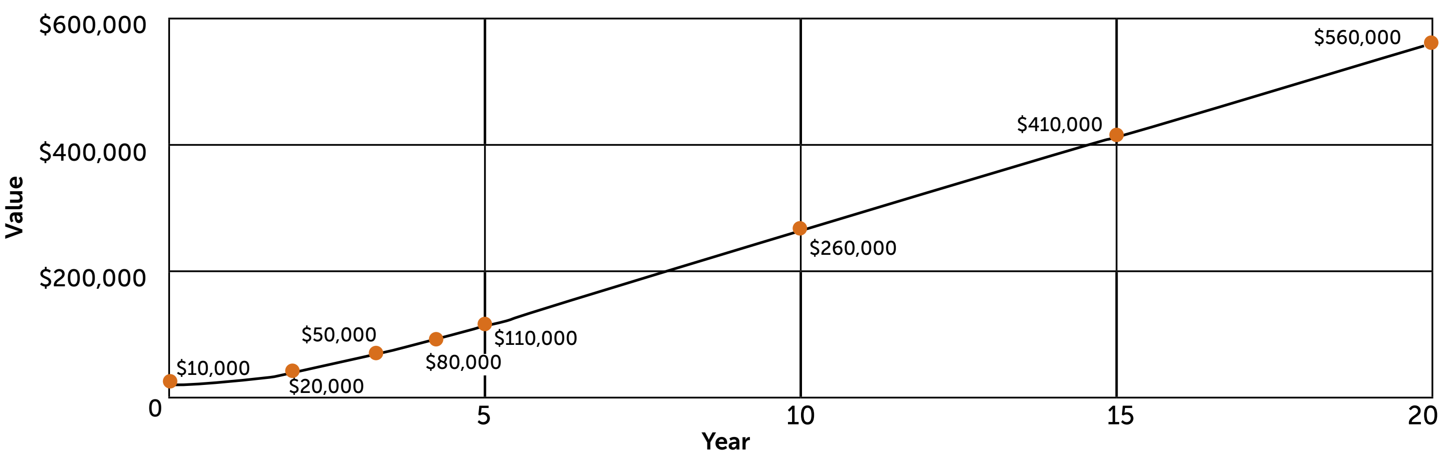
Effects

The wage gap means that women and people of color earn a lot less over their careers, can't save as much money, may go into debt, and are less likely to be able to leave money to future generations of their family.

Wage Gap in Action

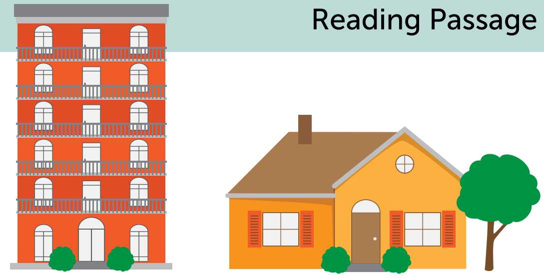
Scenario: James and Danica started work at the same company on the same day in the same job role with the same education and experience. James's yearly salary was set at $50,000 and Danica's at $40,000. After two years, James is promoted. His new salary is $70,000.

Adding Up the Wage Gap Between James and Danica Over Time



At first, the yearly wage gap between James and Danica was $__________. After James was promoted, the yearly wage gap was $__________. If you add up the difference between James and Danica's wages over time, it surpasses $100,000 in year __________. After 20 years, Danica has been paid $__________ less than James in total.

Homeownership



A Home of Your Own

Homeownership is one of several wealth-building tools. Taking on a mortgage means you gain *equity* (owning part of the home's value) every time you make a payment. You might also benefit from *appreciation*, the chance that a home's value will increase over time. Equity and value can be used in different ways—to make upgrades to your home, to "trade up" for a larger home, or to leave for your children to inherit (a source of intergenerational wealth).

Barriers to Homeownership

- **Home Values:** As recently as 60 years ago, people of color weren't allowed access to buy homes in White-only neighborhoods (as part of a process known as *redlining*), so they rented or purchased homes in other neighborhoods. These neighborhoods received less government funding for services and upkeep. Over time, houses in these neighborhoods have been assigned less value. The devaluing of homes in Black neighborhoods is a major factor in the wealth gap that exists between White and Black families today.
- **Predatory Lending:** In the early 2000s, banks commonly gave mortgage loans in unethical ways depending on race. Regardless of their economic stability and wealth, Black and Hispanic people were more than twice as likely to be given high-interest mortgages than White people. While banks made large profits, borrowers struggled to pay the higher interest rates. Many lost their homes and their equity, and are still struggling to recover from this loss.

Homeownership in Action

Scenario: Kareem's looking to buy a condo (apartment) in his old neighborhood. The bus doesn't run that often and the rec center's a bit run-down, but he wants to live close to his family. After six years of budgeting, he'll have enough for a down payment.

Melanie's parents gifted her a down payment for her house. She purchased in a neighborhood where appreciation is on the rise. In about three years, and after a few upgrades, she'd like to sell and "trade up" for a larger home.

Discussion Questions

1. Why is the source of Kareem's and Melanie's down payments significant?

2. Describe where you think Kareem and Melanie will be in their homeownership journey five years from now.

Intergenerational Wealth

Sharing of Wealth

Intergenerational wealth refers to financial assets that are handed down from generation to generation. Over time, wealth can grow even more from factors like interest, inflation, and appreciation.

Disruptors of Intergenerational Wealth

Slavery-Based Economy: From 1619–1865, White landowners built immense wealth by enslaving people of African descent and profiting from their unpaid labor. This wealth has been passed on for generations and still benefits White Americans today. Economists estimate that the amount of wealth White Americans have accumulated from 200 years of profit gained from unpaid labor, including interest, starts at $1 trillion.

Sharecropping: When slavery was abolished, White landowners created a system known as sharecropping. While Black people were legally barred from owning land, one of their only options was to farm the land of White landowners. The landowners controlled the accounting in an predatory manner, funneling most of the agricultural wealth to White landowners and creating invented debt for the Black workers, forcing them into debt and creating more profit for the landowners.

Freedman's Bank: In 1865, the government established a bank for newly emancipated Black people, many of whom gained wages by joining the Army. White managers mismanaged the bank. When it collapsed in 1874, millions of dollars in African American wealth was taken away—and could not grow for future generations.

"Settling" the West: With the Homestead Acts of the 1860s, the government forced Native Americans off their land and granted it to "settlers" for *free*. The vast majority of land was given to White homesteaders, while most Black people were blocked from receiving homesteading grants. Today, more than one-third of the U.S. population is descended from homesteaders, benefitting from the intergenerational wealth the Homestead Acts provided, while poverty on Native American reservations remains much higher than the national average.

Tulsa Race Massacre: In the early 20th century, Black people built a prosperous neighborhood in Tulsa, Oklahoma. In 1921, White residents—many given weapons by city officials—destroyed and burned Black people's businesses and homes, causing more than $30 million of damage in today's dollars. Ten thousand Black people were left homeless. The US government and insurance companies provided no compensation to survivors of this massacre. Black Americans whose property and wealth were destroyed in similar riots by White mobs received neither support or compensation.

Continued on next page

Intergenerational Wealth

Continued

Intergenerational Impact

There are many more economic policies that created systemic barriers to intergenerational wealth. While any family's intergenerational wealth can be impacted by many forces, including economic downturns, wars, and natural disasters, discriminatory practices have been consistently used against people of color, creating economic inequality and less access to intergenerational wealth.

Intergenerational Wealth in Action

Scenario: For **Lucas**'s birthday, his parents paid off his outstanding college tuition and his grandfather gave him stocks. He's looking to sell the stocks when the market is good so he can put a down payment on a house.

Janelle works as a receptionist during the day and goes to school part-time at night. She rents an apartment and puts the rest of her paycheck toward her student loan. After a tree hit her windshield, she can't make any loan payments until she can pay off the credit card bill.

Discussion Questions

1. How does intergenerational wealth impact Lucas in contrast with Janelle?

2. What might happen if Janelle encountered a second unexpected expense?

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