

NTC

# Mad About MONEY



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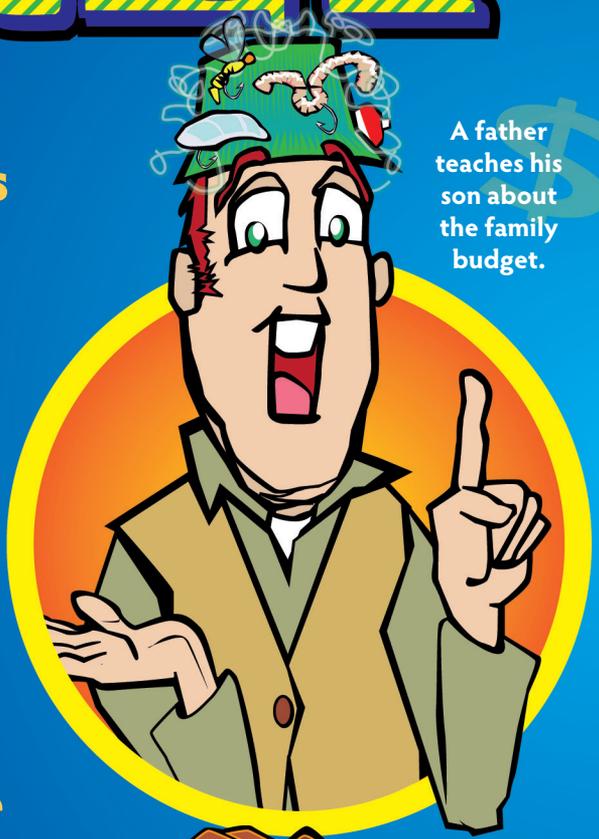
**Prioritizing Needs vs. Wants**

A father teaches his son about the family budget.

**Saving and Investing**

**The Difference Between Cash and Credit**

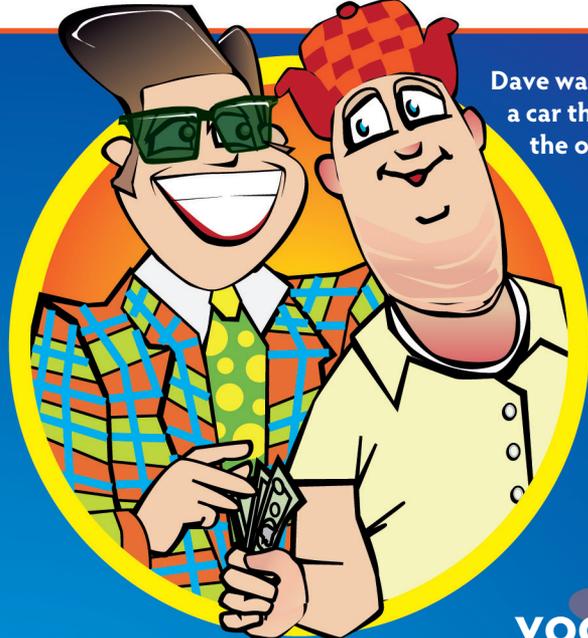
**The Importance of Forming a Savings Habit**



A friend learns what happens when we spend, spend, spend.



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Dave wants to buy a car that has "all the options."



Local merchants teach us the importance of forming a savings habit.

## VOCABULARY WORDS

**Balance:**

The total in an account after expenses

**Bonds:**

Loans to the government or to a corporation

**Budget:**

A plan for earning, spending and saving

**Compound Interest:**

Interest that keeps building upon itself

**Credit:**

Borrowing someone else's money and promising to pay it back

**Credit Rating:**

A score of how well you pay your debts

**Interest Rate:**

The amount charged by a lender to a borrower

**Investing:**

Long-term plan for earning interest

**Mutual Funds:**

Money put into an account with other people

**Need:**

Something that is required

**Principal:**

The original sum of money borrowed or loaned before interest has been applied

**Prioritize:**

To list things in order of importance

**Savings Account:**

Saving money in a bank

**Share:**

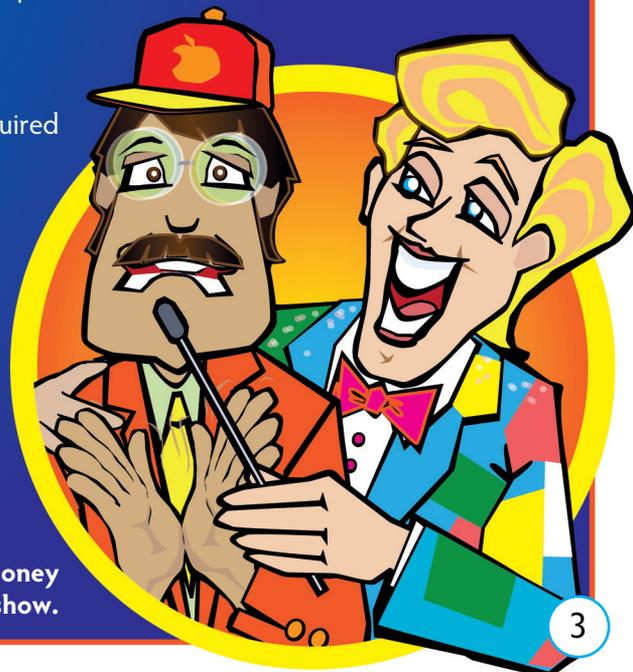
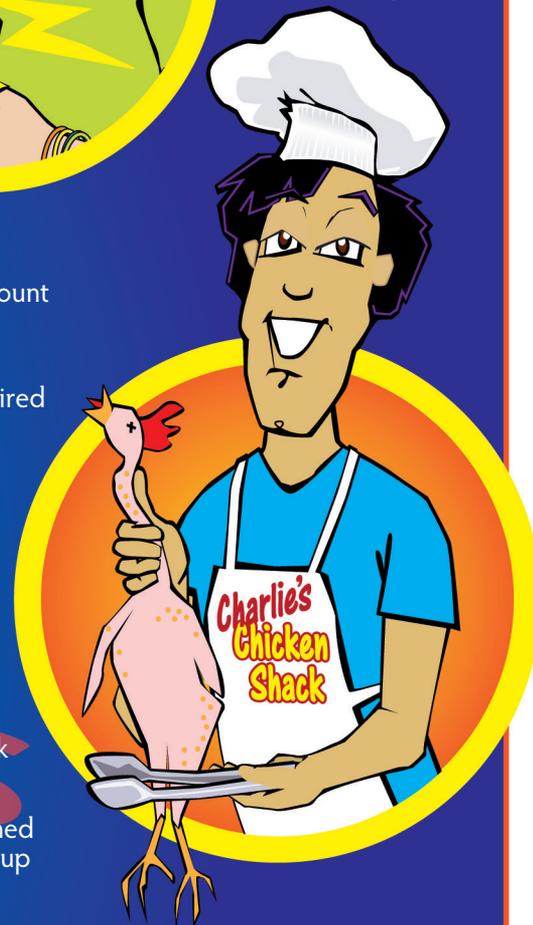
A portion of stock owned by an individual or group

**Stocks:**

Investment in a specific company

**Want:**

Something not necessarily required



Larry tries to win money on a game show.



fancy restaurant. They're nice to have, but if you don't get them, you'll still be fine. These things are your **WANTS**.

If you're not sure, ask yourself, "Do I absolutely have to have this?" If the answer is "Yes," it's a need. If the answer is "Maybe," it's a want.

So look at how much money you make (allowance, part-time jobs, etc.). Is it enough to pay for the things you need? How much is left over? You can use some of this to pay for some of those wants. But don't forget to save some of that money in a savings account. Then you'll have some left over in case of an emergency.

**Add up the income below and subtract the spending to determine how much the left over BALANCE is.**



# MY BUDGET

A budget is a way for us to keep track of money coming in (income) and money going out (spending). It will also show us where we spend the most money and helps us plan for future saving and buying.

Find and circle the following words or phrases in the word find above:

## Money coming IN: INCOME

## Money going OUT: SPENDING

How much? Where did the money come from?

How much? What did you spend it on?

\$ 15.00	Babysitting
\$ 7.00	Cutting Grass
\$ 20.00	Birthday Gift
\$ 5.00	Allowance
\$ 15.00	Babysitting
\$ 12.00	Garage Sale
\$	
\$	

\$ 11.00	Movie + Popcorn
\$ 13.00	Music
\$ 3.00	Lunch
\$ 12.50	School Play Tickets
\$ 4.00	Lunch
\$ 11.50	Music
\$ 4.50	Lunch
\$	
\$	

- BLING
- BOOK BAG
- BUS FARE
- CELLPHONE
- CLOTHES
- FIELD TRIP
- HAIRCUT
- LAPTOP
- LUNCH
- MOVIE TICKET
- SPORTS
- SNEAKERS
- SUPPLIES
- TUITION
- TUNES

\$ \_\_\_\_\_ Total IN

\$ \_\_\_\_\_ Total OUT

$$\begin{array}{r}
 \$ \underline{\hspace{2cm}} \\
 \text{Total IN}
 \end{array}
 -
 \begin{array}{r}
 \$ \underline{\hspace{2cm}} \\
 \text{Total OUT}
 \end{array}
 =
 \begin{array}{r}
 \$ \underline{\hspace{2cm}} \\
 \text{BALANCE}
 \end{array}$$

# SAVING +

**Want to make money without doing a thing?** Sound too good to be true? Well, it's not. When you save or invest your money, you're doing just that.

Putting money into a **savings account** means you're loaning your money to the financial institution, instead of the other way around. That means

the bank or credit union will actually **PAY YOU** the interest that your money earns. Assume you have \$1,000 in cash and you put it into a savings account. If you get 2% interest, you'll **EARN \$20** for doing nothing.

Here's where it gets better: You now have \$1,020 in your savings account. Next year, you'll earn another 2% interest. Only this time you earn the interest on the new, larger amount. So  $\$1,020 \times .02 = \$20.40$  in interest.

So, if you add that to your balance, you now have \$1,040.40. When next year rolls around – yep, you guessed it – you earn interest on the whole amount. This is called **compound interest**. The interest keeps compounding or adding to itself.



## My Favorite Stocks

Pick a few companies that make and sell something you like – your favorite computer, your jeans, fast food restaurant, etc. Use the internet to find the stock market symbol for those companies and follow them for a week and record how much their values rise or drop each day. Do they change much in a week?

	Monday	Tuesday	Wednesday	Thursday	Friday	
Stock #1	Start Price	_____	_____	_____	_____	End Price
						Price Change
Stock #2	Start Price	_____	_____	_____	_____	End Price
						Price Change
Stock #3	Start Price	_____	_____	_____	_____	End Price
						Price Change

# INVESTING

## Money Making Money

The major benefits of a **savings account** are:

- **Your money is liquid.**  
You can take the money out and use it whenever you like.
- **There is little or no risk.**  
Your money will grow at a steady rate.

**Investing is a long-term plan for earning interest.** This means there's potential to make more money, but there are risks. The three most popular types of investments are **stocks**, **bonds** and **mutual funds**.

**Bonds are loans to the government or to a corporation.** Buying a bond is like putting money into a savings account for months or even years at a time. You're not allowed to take the money out before this time is up, but the interest rates are much higher. So when the time runs out, you will have made much more than you would have with a savings account.

**Buying stocks means you're buying a tiny part of a specific company.** It could be the company that makes your favorite shoes, cell phone, computer game or even laundry detergent. The tiny part that you own is called a **share**, because you're sharing ownership of that company with everyone else who owns that same stock. If the company does well, the price of your share will go up and you'll make money. But if the company does poorly, you could lose money. There's potential to make a lot of money in a hurry, but there's also a chance that it could be a bust.

Savings ACCOUNT				OR	Savings BONDS			
Starting Balance	x Interest Rate	= Interest Earned	New Balance		Starting Balance	x Interest Rate	= Interest Earned	New Balance
\$1000	x .015	= \$15	\$1015		\$1000	x .05	= \$50	\$1050
\$1015	x .015				\$1050	x .05		Year 1
	x .015					x .05		Year 2
	x .015					x .05		Year 3
	x .015					x .05		Year 4
	x .015					x .05		Year 5
	x .015					x .05		Year 6
	x .015					x .05		Year 7
	x .015					x .05		Year 8
	x .015					x .05		Year 9
	x .015					x .05		Year 10

Mutual funds are a little different. **Putting money in a mutual fund means you put money into an account with a bunch of other people and experts will take that money and invest it to the best of their ability.** They might buy stocks, bonds or several other types of investments. Basically, it's like having professionals play the stock market for you. If these experts are good, they'll earn you a lot of money. If they're not so hot... you could lose some of the money you've invested.

The biggest factor in how much money you'll make is time. As a general rule, investing a small amount of money for a long time will earn more than investing a large amount for a short time. That's why it's important to learn about investing now. The longer you save, the more your money grows.

# CASH OR

**Credit** means you're borrowing someone else's money and promising to pay it back. But be warned. That money doesn't come for free. The people that loan you the money will charge you interest. **Interest** is another name for the fee that they charge you for using their money. It's usually a percentage of the remaining balance, the amount you have left to pay.

## Only borrow what you

Interest rates aren't always the same. Your bank may have a lower interest rate than the one across the street does. The credit union down the block may be even lower.

So if you need a loan, shop around to find the lowest possible interest rate before you say yes. Remember: If you're taking out a loan, a high interest rate will cost you more money over time. A low interest rate will cost you less money over that same time. But it all costs.



# CREDIT

can pay back tomorrow.

Credit cards work the same way. Let's say there is a new movie you want to see for \$15, so you whip out your credit card. What you're actually doing is taking out a \$15 loan from the credit card company. So it may not seem like much at the time, but these charges can really add up. And if you have to pay interest on them, they'll cost you even more. But remember, you only have to pay interest if you DON'T pay the balance off each month. If you charge items to your card and continue to pay off your bill, you won't have to pay a cent of interest.

The alternative to paying with credit is paying with cash. There's no interest at all if you pay cash.

## ADVANTAGES TO PAYING WITH CASH:

- No interest, so cheaper in the long run
- You don't need to be approved before you use it
- No bills to pay later

## ADVANTAGES TO PAYING WITH CREDIT:

- You can buy things right now, instead of waiting to save up enough money
- Buying online or over the phone is much easier with a credit card
- It can improve your **credit rating**. A credit rating is a scale of how well you pay your debts. If you have a high credit rating, you can take out more credit and buy bigger things in the future.

## The COST of Credit

Paying on credit is different than paying with cash. Below is an example of what happens when you make partial payments on a credit card.

Amount Owed	Interest Rate	Monthly Payment	Months Needed to Repay Loan	Extra Cost of Cash vs. Credit
\$1000	9%	\$25	48	\$195
		\$50	22	\$89
		\$70	15	\$61
		\$95	11	\$46
\$1000	18%	\$25	62	\$543
		\$50	24	\$198
		\$75	15	\$125
		\$100	11	\$92

# The Importance of

# FORMING A

**Pay yourself first.** What does it mean? Basically, if you can find a way to put some money in the bank or credit union every time you get some in your hand, you'll be able to afford bigger, cooler things than you ever could before. It's easy to say "I'll start saving when I get my next paycheck," or "Once I get a job, I'll be able to save." But why wait? It can and should be as easy as emptying out your pockets at the end of the day.

Paying yourself first means taking part of the money you already have and putting it aside. It doesn't mean you have to buy a savings bond every time you get your allowance, but collect it in little bits. If you get 10 dollars, save two of it. If you find five dollars in your pocket, save a buck. Place it in a jar or pitcher and leave it in your bedroom. Then, take all the money you've collected to the bank or credit union once a week and toss it into a savings account. You'll be surprised how quickly it adds up.

Another way to pay yourself first is to watch how you spend. There are lots of ways to save money merely by spending it wisely. Buy things on sale or in the off season.

Most people aren't even aware of how much they spend each day. Try this: for one week, keep track of everything you buy. Be sure to include all the little things, too, like gum, bus fare or fries after the game. At the end of the week, total it up and see where you stand.

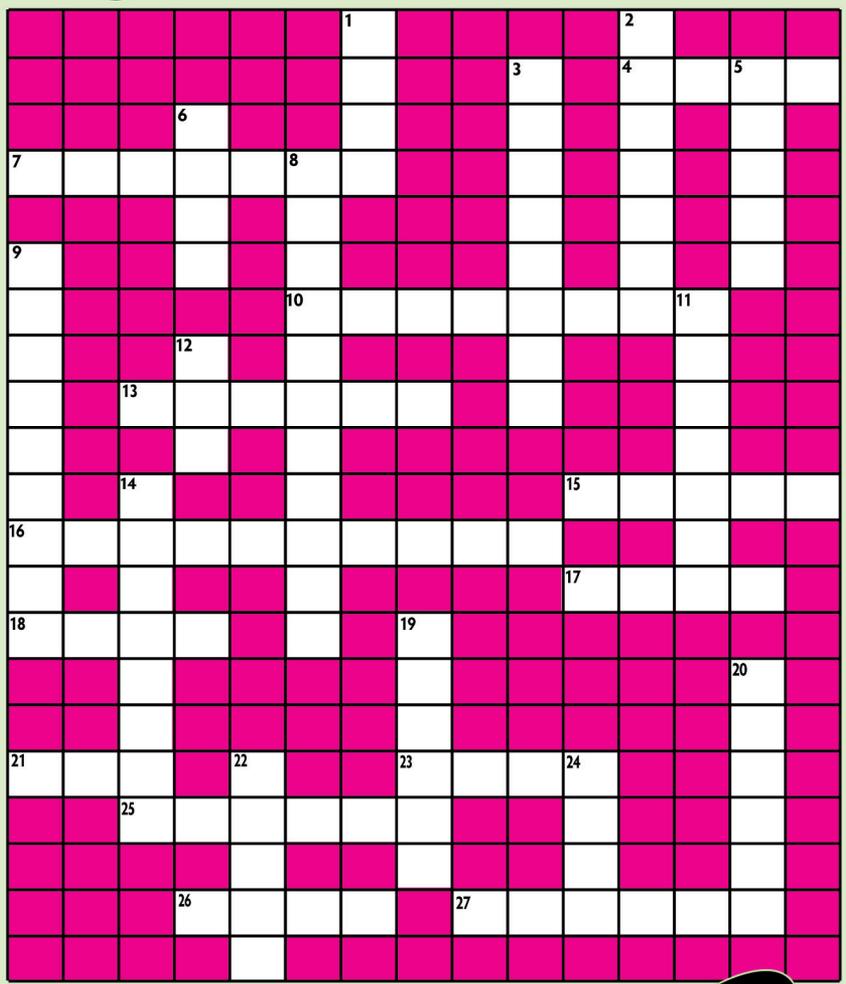


## Look how fast money adds up when you pay yourself first!

How I earned the money	How much I earned	I paid myself 10% first	How much I've saved up so far
1) washed dad's car	\$ 10.00	$\times .10 =$ \$ 1.00	\$ 1.00
2) mowed neighbor's lawn	\$ 12.00	$\times .10 =$ \$ 1.20	+ \$ 2.20
3) worked at Happy Burger	\$ 136.00	$\times .10 =$ _____	+ _____
4) walked Grandma's dogs	\$ 6.00	$\times .10 =$ _____	+ _____
5) taught piano lessons	\$ 18.00	$\times .10 =$ _____	+ _____
6) washed windows	\$ 20.00	$\times .10 =$ _____	+ _____
7) worked booth at fair	\$ 72.00	$\times .10 =$ _____	+ _____
8) paper route	\$ 112.00	$\times .10 =$ _____	+ _____

# SAVINGS HABIT

Pay **YOURSELF** first!

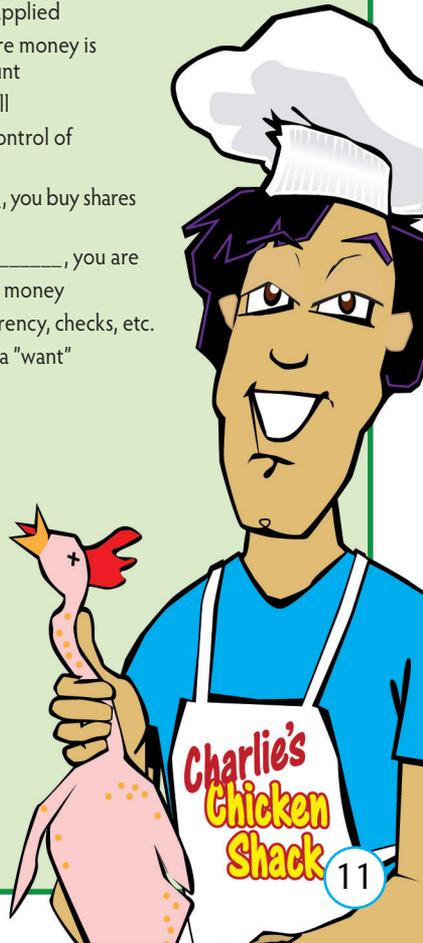


**ACROSS**

- 4. Money that is paper or coins
- 7. The total in an account after expenses
- 10. You pay back a loan by making scheduled \_\_\_\_\_
- 13. A way to invest in many companies at once is called a \_\_\_\_\_ fund
- 15. Stocks and \_\_\_\_\_
- 16. To list things in order of importance
- 17. The chance that you could lose money
- 18. To borrow money, you take out a \_\_\_\_\_
- 21. If you carry debt, you \_\_\_\_\_ money
- 23. To make money
- 25. Shares of a company that one buys
- 26. If you owe money, you carry a \_\_\_\_\_
- 27. A plan for earning, spending and saving

**DOWN**

- 1. A percentage added to a loan payment is called the interest \_\_\_\_\_
- 2. A checking or savings \_\_\_\_\_
- 3. The fee charged if you borrow money is called \_\_\_\_\_
- 5. The opposite of save
- 6. A place to keep or borrow money
- 8. Interest that keeps building upon itself
- 9. The original sum of money borrowed or loaned before interest has been applied
- 11. A safe place to store money is in a \_\_\_\_\_ account
- 12. The opposite of sell
- 14. It is wise to be in control of your \_\_\_\_\_
- 19. When you \_\_\_\_\_, you buy shares of a company
- 20. If you have good \_\_\_\_\_, you are allowed to borrow money
- 22. Cash, coin, currency, checks, etc.
- 24. More than just a "want"





# Mad About MONEY



The National Theatre for Children