

GRADES
K-5

Financial Fitness for Life[®]

**SECOND
EDITION**



**PARENT
GUIDE**

Personal Finance Activities for Parents and Students



**COUNCIL FOR
Economic
Education**

Teaching Opportunity[®]

Financial Fitness for Life®

Parent Guide

Grades K-5

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This publication was made possible through funding by the Bank of America Charitable Foundation.

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ISBN 1-56183-698-7

5 4 3 2 1

Acknowledgments

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Introduction

Chances are you have this book in hand because you believe your child's ability to succeed in the real world requires becoming "financially fit." We developed the *Financial Fitness for Life* series of publications because we wholeheartedly agree!

For more than 60 years, the Council for Economic Education (CEE) has been calling attention to the need to educate our young people effectively in the practical skills of economics and personal finance, and showing the best ways to meet that need. The current "financial fitness" program—of which this parent guide is a key component—is a dramatic step in the direction of improving economic and financial literacy. CEE is offering this revised stand-alone parent guide to go along with the second edition of *Financial Fitness for Life*. We are very excited about engaging parents, friends, family members, and other care givers in teaching children about "financial fitness." We all have an important stake in the future of the next generation of students. As parents, friends, and family members, we can play an important role in shaping our children's financial futures.

The CEE has long known that students exposed to the "economic way of thinking" are more self-confident and capable of making smart financial decisions. They also do a better job of saving and investing, building solid careers, and acting as informed citizens. In other words, when they gain an understanding of how the "real" world works, they improve their prospects for better lives in it.

We know that a key ingredient for any child's successful learning is the *involvement of caring adults* in their education. Research shows that students learn a considerable amount of their economic decision making outside of the classroom. Therefore, the activities we have provided in this book can be a very important component of your child's development of financial fitness.

You will notice that this publication has two sections. The first section is geared to the curriculum at the K-2 grade level. The second section is for the 3-5 grade level. We suggest that you review the entire book. You may find some activities to be of interest at whatever level, depending upon the child's mastery of and interest in the concepts.

You want the child to grow up to be an independent, self-supporting individual who makes responsible, informed decisions. So do we! Just as CEE is the recognized national leader in teaching teachers how to make economics come alive in the classroom, we are grateful to have this opportunity to assist caring adults as teachers of economics that kids can use in their lives—all their lives.

The developers of this Parent Guide are aware that students come from many different family circumstances. While we have retained the title of Parent Guide for this second edition (and have also kept much of the language that refers to "parents"), please rest assured that this is a useful resource in all sorts of different outside-of-the-classroom settings. Whether you are a friend, family member, guardian, or just a caring adult, we are sure you will find that the exercises and activities in this book provide a useful way to improve the economic and financial understanding of the young person in your life.

We would like to thank the Bank of America Charitable Foundation for its long-term and consistent support. The Bank believes that a strong foundation in financial literacy basics is a critical skill for future economic success. Bank of America wants to help create a generation of young people who can grow into adulthood with the know-how to use the financial system to earn, save, spend, budget, invest and manage credit. The Foundation's continued commitment to economic and financial education makes it a true leader and a positive example for others to follow. Their support and partnership have made *Financial Fitness for Life* possible.

Council for Economic Education

Financial Fitness for Life®

Parent Guide

Grades K-2

A Letter to Parents, Friends, and Family Members



I want that!

Why can't I have that?

All of my friends have one!

Do these words sound familiar? I am sure that you have heard these words or words like them from your young student. A school unit of study called *Financial Fitness for Life* will endeavor to help you and the young person in your life find ways to discuss some personal finance issues that affect all of us in our everyday lives.

Financial Fitness for Life was developed to integrate financial literacy and economics into the school curriculum with a home connection. This guide will allow you to be a part of this invaluable training for the child's future. It has five teaching themes that provide information about (1) income, (2) saving, (3) spending, (4) credit, and (5) money management. Each of the five themes in this guide has four sections of information and ideas for you to use at home.

- "What Does Your Child Need to Know?" will tell you about the financial and economic concepts the young person has been studying.
- "Pencil Activities for You and Your Child" contains worksheet activities for you to do at home.
- "Ideas and Activities for You and Your Child" suggests fun ways to enhance the child's understanding.
- "Books for You and Your Child to Share" is a listing of children's stories to further develop financial literacy in special home reading time.

The child's classroom teacher will indicate when it might be best to do these activities at home. Both the teacher and the creators of this curriculum hope you and the child in your life will enjoy participating in this program.

Thank you for assisting your child as he or she develops financial awareness.

Theme 1: Earning Income

What Does Your Child Need to Know?

- **WHAT SHOULD YOUNG CHILDREN KNOW ABOUT WHERE MONEY COMES FROM?**

Children need to understand that people receive money in several ways. Earning money by working is a common one. When they are working, individuals use their work skills, talents, and abilities (their human capital) in a productive way. Another way people receive money is through gifts. In many instances, the money given as a gift was originally earned by the giver as income.

- **WHAT DO YOUNG CHILDREN NEED TO KNOW ABOUT WORKING?**

Children need to learn that workers receive income for producing goods and services. Goods are objects produced by workers that people can see or touch, and services are activities that workers provide.

- **DO YOUNG CHILDREN NEED TO KNOW ABOUT ENTREPRENEURSHIP?**

Yes, young children may one day become entrepreneurs, and skills can be learned early. Children need to know that an entrepreneur is a special worker (or producer). An entrepreneur develops a new product or a new way of producing goods and services and then takes the risk to start a business, in hopes of earning a profit. The entrepreneur uses a combination of capital, natural, and human resources to produce the good or service, hoping that people will find his or her product valuable.

- **AT WHAT AGE SHOULD CHILDREN LEARN TO COUNT MONEY?**

Children are interested in counting and managing money from a very early age—as soon as they become aware of its use and its power. The forms of money used today have evolved over many years, but because of the age and maturity of primary students, the activities for students at this age emphasize only two types of money—coins and paper money.



• WHAT ECONOMIC AND PERSONAL FINANCE CONCEPTS ABOUT INCOME ARE CHILDREN IN GRADES K-2 STUDYING?

Below are the concepts related to earning income, with definitions, that children in grades K-2 are typically studying.

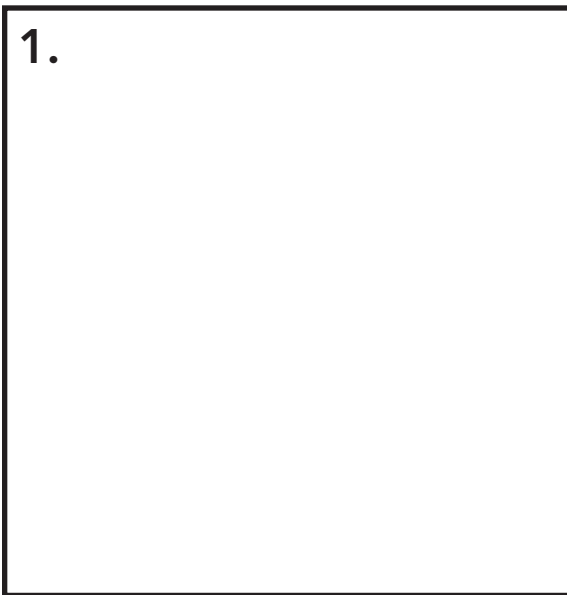
1. **Workers (producers)** are people who use productive resources to make goods and services.
2. **Work skills (human capital)** are the health, education, training, and skills that people bring to their jobs.
3. **Income** is the gain, usually measured in money, that comes from different sources including work. People earn income for work performed.
4. **Gift money** is money freely given, not earned.
5. **Economic wants** are desires that can be satisfied by consuming a good or service.
6. **Goods** are objects that people make that can satisfy other people's wants.
7. **Services** are activities that people perform to satisfy other people's wants.
8. **Entrepreneurs** are people who assume the risk of putting together resources in starting a business to make a good or service with the hope of making a profit.
9. **Productive resources** are things used by producers to make goods and services. They include all natural, capital, and human resources.
10. **Natural resources** are the "gifts of nature" that are used to produce goods and services. These resources include such things as land, trees, fish, oil, and mineral deposits.
11. **Capital resources** are the goods used to produce other goods and services.
12. **Human resources** include all human effort directed toward producing goods and services.
13. **Money** is anything that is generally accepted as a medium of exchange used to buy goods and services.
14. **Coins** are government-issued pieces of metal that have value and are used to buy goods and services.
15. The **value of money** is based on what can be purchased in the way of goods and services.
16. The **functions of money** are the roles played by money in an economy. Money serves as a medium of exchange, a standard of value, and a store of value.

Pencil Activities for You and Your Child

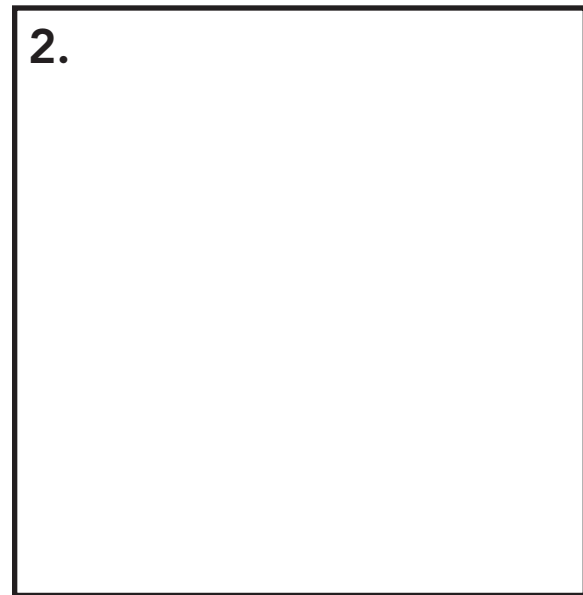
PLANNING FOR WORK

Discuss with your child the work skills that he or she has already developed— skills that could help him or her to earn income. Help your child explore how these skills could be used to earn income. Explain that on this page he or she should draw illustrations and/or write sentences in each box, describing possible jobs he or she could do now to earn income. Then discuss a plan for your child to earn income.

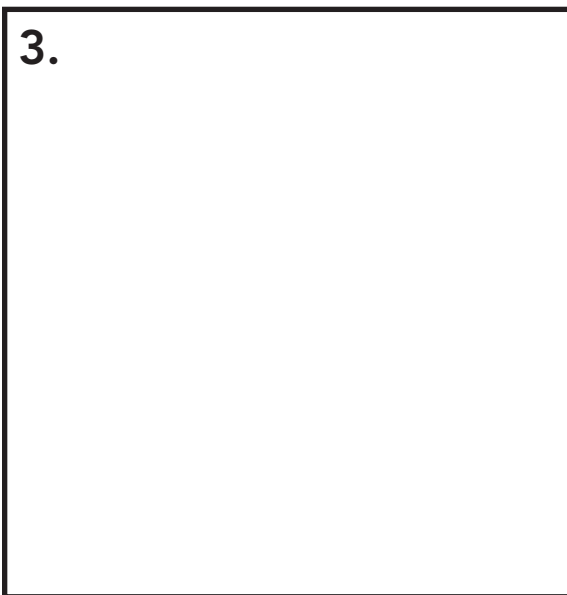
1.



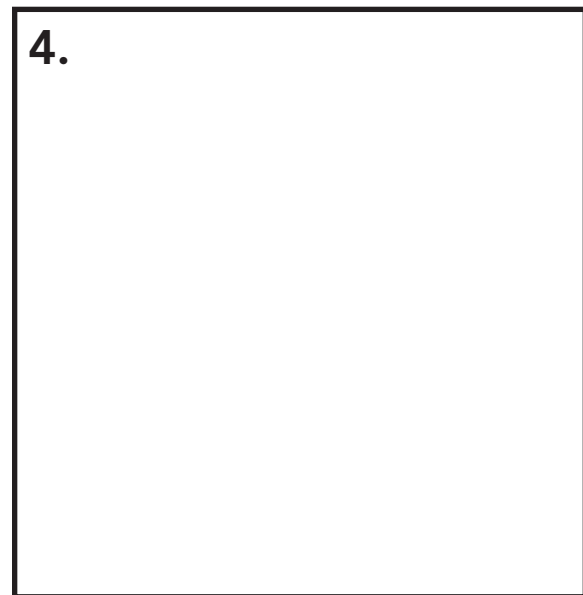
2.



3.



4.



COIN COMBINATIONS

Work with your child to complete this worksheet. Consider some of the less expensive goods and services you buy. Select different items and their prices and record them in the first two columns. Then have your child select coins which in total equal the price of each item. Be sure to include two items that have the same price, and have your child use a different coin combination to illustrate the price of the second item. Ask your child to identify which two of the items they want the most and circle them. Then help your child write "my choice" next to the favorite item and "what I give up" (this is known as the "opportunity cost") next to the second-favorite item. After the page is completed, display it in a prominent place at home.

How many of each coin do you need to pay for your chosen purchases?

Items for Purchase	Price	Number of Coins Needed			
		Pennies	Nickels	Dimes	Quarters
1.					
2.					
3.					
4.					
5.					

Ideas and Activities for You and Your Child

MESSAGE POCKETS

Your child may have constructed a Message Pocket in school. This will be used to relay information between home and school. When your child brings home the Message Pocket, look for information from the teacher. Send any responses back to school in the Message Pocket.

PLAYING DENTIST

Participate in the following role-playing activity with your child. Pretend you are a dentist, and your child is the patient. Ask your child how many teeth he or she has lost this year, and let your child make up an answer. Help the child calculate the amount of gift money he or she would have received if the child got 10 cents for each lost tooth. Use real dimes to help the child visualize the amount received. Continue the activity, varying the number of teeth lost and the amount received per tooth.

GOODS VS. SERVICES

Help your child identify three goods and three services found in the home. Have your child draw pictures of these goods and services. Provide your child with old magazines or catalogs and have him or her clip pictures illustrating goods and services from magazines or catalogs. This will reinforce your child's ability to distinguish between the two.

SHARING DAYDREAMS

Share with your child daydreams that you might have had as a child about starting a business of your own, such as a lemonade stand or a dog-walking service. Encourage your child to share his or her dreams with you. Talk about the good or service you would each be providing in your businesses. Discuss the resources you would need for such businesses.

EXPLORING COINS

Use real coins to help your child learn about money. Examine the coins to help your child learn to recognize pennies, nickels, dimes, and quarters. Tell your child about the pictures and symbols on the coins. Discuss the value of each coin. Use these real coins to help your child learn to count sets of pennies, nickels, dimes, quarters, and combinations of coins. Give your child experience with pretending to spend the coins and finding out what each coin will buy.

Books for You and Your Child to Share

Barbour, Karen. *Little Nino's Pizzeria.* Voyager Books, 1990.

Tony likes to help his father at their small family restaurant, but everything changes when Little Nino's Pizzeria becomes a fancier place.

Berger, Melvin and Gilda. *Round and Round the Money Goes: What Money Is and How We Use It (Discovery Readers).* Ideals Publications, 2001.

This book explains how economic exchange evolved from barter to money, including an explanation of how banks work.

Bochner, Arthur, Rose Bochner, and Adriane Berg. *The New Totally Awesome Business Book for Kids,* Revised and Updated, 3rd ed. Newmarket, 2007.

A step-by-step guide for kids starting their own businesses. Includes games, puzzles, and stories.

Polacco, Patricia. *Chicken Sunday.* Putnam, 1998.

The author recalls how she and two friends created an ingenious plan to buy a special Easter hat for the boys' grandmother, a lady well known for her wonderful chicken dinners.

Roberson, Erin. *All About Money (Rookie Read-About Math).* Children's Press, 2005.

This colorful book compares the buying power of money today and in the past, illustrating the role of money in our society.

Russo, Marisabina. *When Mama Gets Home.* Greenwillow, 1998.

The three children of a mother who works outside the home look forward to her return at the end of the day. Each sibling has a task: the older sister puts the chicken to roast; the brother peels carrots; and the youngest child, who narrates the story, sets the table. Mama finally comes home with a smile and some hugs, changes her shoes, finishes dinner preparations, and sits down with her children for a meal and recap of the day's events.

Silverstein, Shel. *The Giving Tree.* HarperCollins, 1964.

This is the story of a tree that gives itself as a resource to a boy/man throughout his life to satisfy his wants.

Talbot, Jim. *Coin Count-y: A Bank in a Book.* Innovative Kids, 1999.

This book about counting and saving money includes places to save more than \$20 by filling the built-in coin slots on each page with pennies, nickels, dimes, and quarters, while also building early math skills.

Van Der Meer, Ron. *The Pick and Shop Marketplace.* Random House, 1996.

Four stores unfold and pop out in amazing detail to form a charming, interactive shopping center.

Vaughan, Marcia K. *Lemonade Stand.* Grosset & Dunlap, 1999.

Boomer, the bear, and his friend, the mouse, set up a lemonade stand. Charging a nickel a glass, the duo can see the money adding up quickly, with boats and sports cars in their future. But when no customers show up, Boomer buys his friend a glass of lemonade, and then his friend buys Boomer a glass. In this way, the same nickels go back and forth until the lemonade disappears.

Viorst, Judith. *Alexander, Who Used to Be Rich Last Sunday.* Aladdin Books, 1980.

Alexander receives a gift of \$1.00 and must decide how to use this gift.

Worth, Bonnie. *One Cent, Two Cents, Old Cent, New Cent: All About Money* (Cat in the Hat's Learning Library). Random House Books for Young Readers, 2008.

The history of money as told by the Cat in the Hat.



Theme 2: Saving

What Does Your Child Need to Know?

- **HOW CAN CHILDREN LEARN ABOUT MAKING GOOD DECISIONS?**

People's wants are unlimited, but their resources to satisfy those wants are limited. Even young children face these problems and must make choices among alternatives. They will make more satisfying choices if they consider the costs and benefits of each alternative. The costs include their opportunity cost, which is the highest-valued alternative not chosen.

- **SHOULD YOUNG CHILDREN CHOOSE TO SAVE SOME OF THEIR MONEY?**

People must make decisions about spending and saving, and young children will benefit if they learn about saving early in life. If they save, they incur an opportunity cost—giving up the opportunity to satisfy their favorite want at the present time. When they spend, they give up the opportunity to save in order to buy goods and services in the future. Whenever they make a choice, they have an opportunity cost.

- **SHOULD YOUNG CHILDREN LEARN ABOUT SCARCITY?**

Children need to know that scarcity is the condition of not being able to have all the goods and services that they want. It results from the imbalance between relatively unlimited wants and limited resources. Scarcity requires people to make choices, which result in opportunity costs. Children need to learn to save, because usually they will not have enough money to buy all the goods and services they want at any particular time.

- **CAN CHILDREN LEARN TO HAVE SAVING GOALS?**

Yes. Setting goals is a skill that will be beneficial if it is learned early. Saving is delayed spending, and people decide to save in order to reach their goals. There are benefits and costs to such decisions. The benefits include accumulating money to achieve goals. The costs include not being able to satisfy wants now.



• **WHAT ECONOMIC AND PERSONAL FINANCE CONCEPTS ABOUT SAVING ARE CHILDREN IN GRADES K-2 STUDYING?**

Below are the concepts related to earning income, with definitions, that children in grades K-2 are typically studying. The students are also still working with many of the concepts learned in the previous theme on earning income.

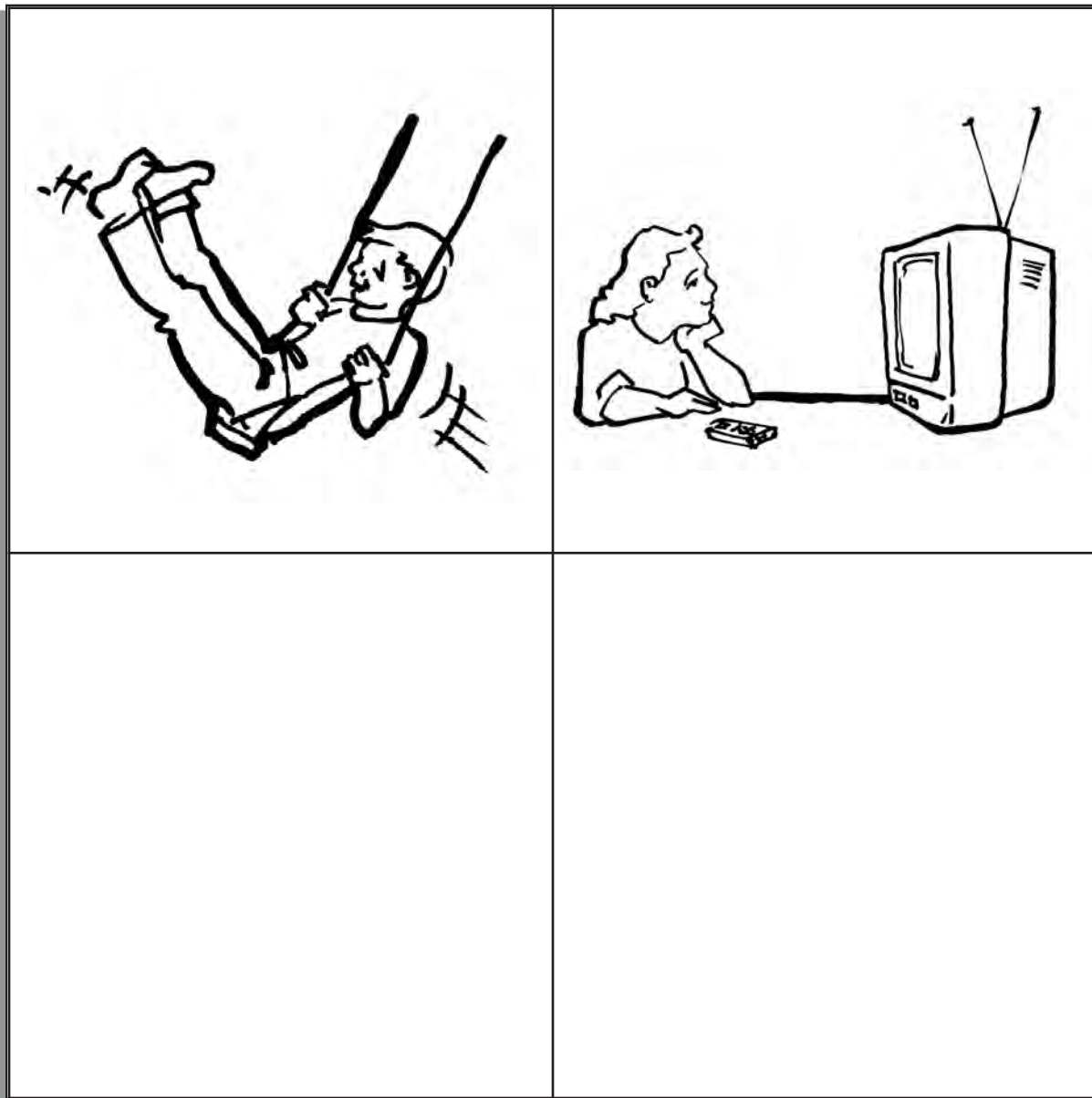
1. A **choice** is the decision made from looking at various alternatives.
2. A **decision** is a conclusion reached after considering alternatives and their results.
3. An **alternative** is an option in a situation offering a choice.
4. Your **opportunity cost** is the best alternative you give up when you make a choice.
5. **Benefits and costs** are the good and bad points associated with making decisions.
6. **Saving** is setting aside money for a future use.
7. A **savings account** is money set aside in an account, usually at a bank or credit union, from which withdrawals can be made.
8. A **bank** or **credit union** is a business that provides financial services such as cashing checks, making loans, and paying interest on savings.
9. A **deposit** is money put into an account at a bank or a credit union.
10. A **withdrawal** is money removed from an account at a bank or credit union.
11. **Scarcity** is the condition that occurs because people cannot have all the goods and services they want. This is because of the imbalance between relatively unlimited wants and limited resources. Scarcity causes people to make choices.



Pencil Activities for You and Your Child

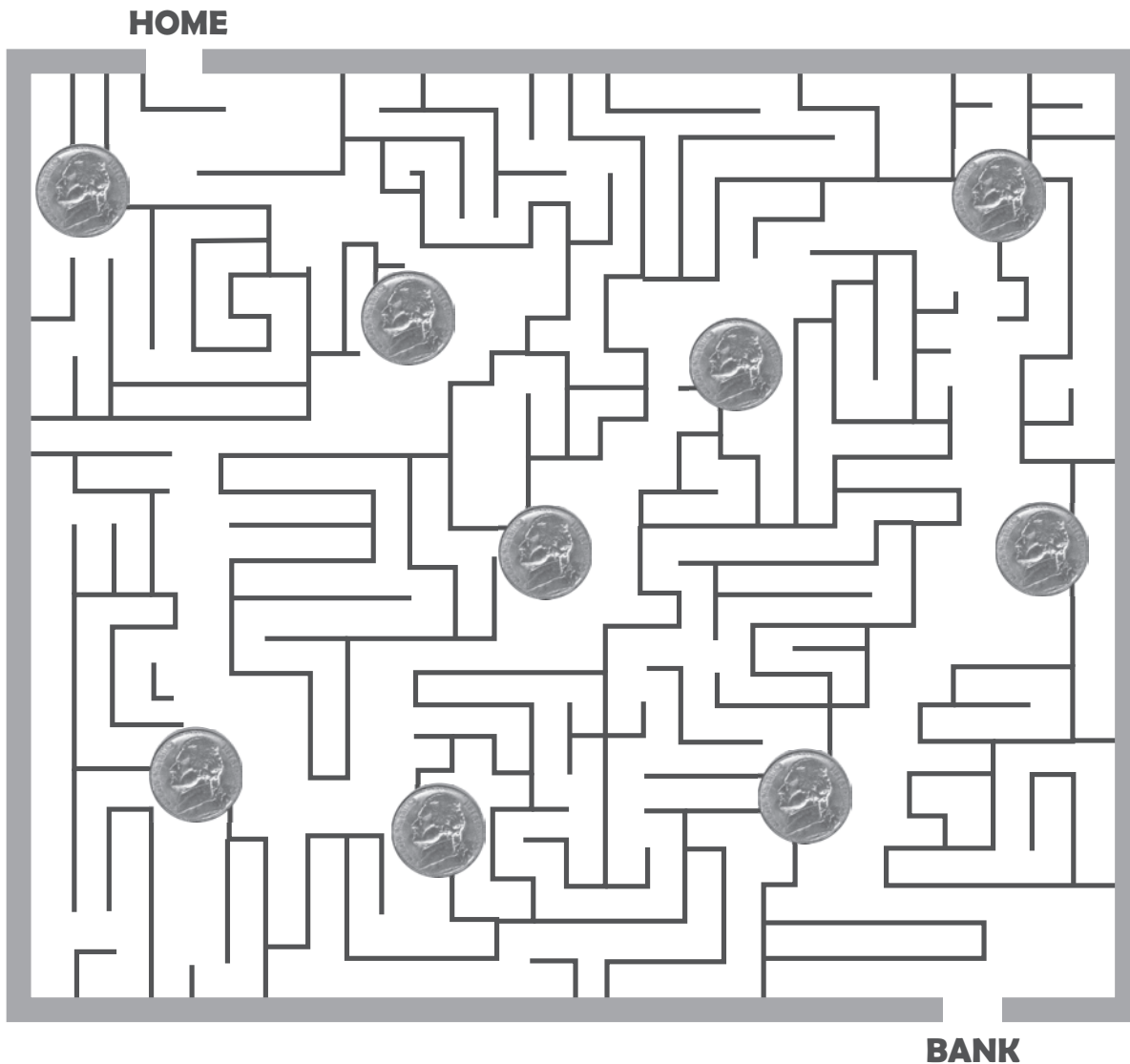
WHAT DOES IT COST?

Explain that your child will have to make a choice on this page. He or she should consider the two alternative activities pictured and decide whether he or she would prefer to be swinging or to be watching television. Have the child color the chosen activity and circle the opportunity cost (the activity given up). Then, in the boxes at the bottom of the page, have the child draw pictures of a time when he or she had to make a similar choice. Tell your child to draw a picture of two alternatives, one in each box, and then color the choice and circle the opportunity cost (the one given up).



SAVING MAZE

Help your child collect the nickels pictured in the maze below that have been saved to deposit in the bank. Start at HOME and see how many nickels can be collected without crossing any lines. Help your child count the nickels by fives as he or she moves through the maze. He or she should finish at the BANK and make the "deposit" into a savings account.



1. How many nickels did you collect? _____

2. What amount of money will you deposit in your savings account? _____

WHERE TO SAVE?

Talk with your child about the money that people plan to spend and how they often keep this money in their pockets. Discuss why they do not carry the money they plan to save in their pockets. (Possibly because it's too heavy, too easy to drop or lose, too easy to spend, too much of a problem when clothes are changed, and they won't be using the money soon.) Discuss the table below, and have the child put an "x" in each box under each question if it applies to the savings place listed in the first column.

Where?	Is this place big enough to hold my money?	Can I get the money out easily when I want it?	Will the money be safe if I keep it here?	Can I spend my money without thinking?
Put the money in a wallet in your pocket.				
Put it in a box on the dresser.				
Put it in a can in a drawer.				
Give it to a parent to hold.				
Put it in a piggy bank.				
Put it in a bank account.				

Ideas and Activities for You and Your Child

REASONS TO SAVE

Discuss with your child times when it has been necessary for your family to save money for major purchases. Sharing in this fashion helps the child understand reasons for saving.

A TRIP TO THE BANK

Take your child to the bank or credit union to open or add to a savings account. Request that a bank representative talk with your child about the benefits of maintaining a youth savings account.

A SURVEY

Your child may bring home from school a survey with questions for you regarding money decisions. Possible questions may include:

- Do you remember having to make choices when you were the child's age?
- Did you have goals for using the money you earned?
- Can you give an example of a goal you reached?
- How did you plan to reach your goals?
- Do you still have to make choices now? Can you give one example?
- Can you give an example of a decision where you considered what you were giving up when making the decision?

Discuss these questions with your child whether or not the survey is used in school.

SAVING THEN AND NOW

Have your child talk with his or her grandparents or other senior citizens about where money was saved 40 to 50 years ago, as well as the kinds of things for which they saved. Compare prices of cars, houses, candy, and other items then and now.



Books for You and Your Child to Share

Burkett, Larry. *A Home for the Hamsters.* Moody Publishers, 2000.

This is a story about saving money to buy a pet.

Mills, Lauren. *The Rag Coat.* Little, Brown and Company, 1991.

A mother saves scraps of fabric over the years to make her daughter a coat. Although classmates tease the child about her coat, she wears it proudly and is able to tell a different story with each piece of the coat.

Newton-John, Olivia and Brian Seth Hurst. *A Pig Tale.* Simon & Schuster, 1993.

A young pig is embarrassed by his father's need to constantly save items for future use, until his father produces an amazing "flying balloon."

Schwartz, David M. *If You Made a Million.* HarperCollins, 1994.

Marvelosissimo the Mathematical Magician helps children understand finances, explaining how to earn and invest money, showing how dividends and interest work, and much more.

Viorst, Judith. *Alexander, Who Used to Be Rich Last Sunday.* Aladdin Paperbacks, 1980.

One Sunday Alexander's grandparents gave him a dollar, which he wanted to save for walkie-talkies. But as a result of some poor choices, he soon was left with only bus tokens in his pockets.

Williams, Vera, B. *Something Special for Me.* Greenwillow Books, 1986.

Rosa has difficulty choosing a special birthday present to buy with the coins her mother and grandmother have saved. She has many things she wants but only enough money to buy one.

Ziefert, Harriet. *You Can't Buy a Dinosaur with a Dime.* Blue Apple Books, 2007.

A rhyming book about saving and spending decisions.



Theme 3: Spending

What Does Your Child Need to Know?

- **HOW CAN CHILDREN BE TAUGHT TO MAKE GOOD SPENDING DECISIONS?**

Children, like all other people, have limited incomes and relatively unlimited wants. As a result, they must make spending choices as consumers. Consumers need to consider the opportunity cost when a spending choice is made. The best consumer choice is—for each dollar spent—the one that provides the most satisfaction for the individual making the choice. This would not be the same choice for all consumers.

- **WHAT DO CHILDREN NEED TO KNOW ABOUT PRICES?**

Children learn that the prices of goods and services affect the choices they make. Generally, when they plan what to buy before spending and consider the prices of alternatives, they make better choices and are more satisfied with their decisions. Comparing prices also helps children understand that prices vary across different brands.

- **SHOULD PARENTS INSIST THAT THEIR CHILDREN MAKE PLANS IN ADVANCE WHEN SPENDING?**

Like all other consumers, children spend their limited incomes to satisfy their wants. They make spending decisions that can be planned or unplanned. Planned spending involves consideration of alternatives and opportunity cost. This can be time-consuming, but it often yields important benefits. Unplanned spending or impulse buying does not involve time-consuming planning, but there may be unplanned consequences. Planning for spending usually provides greater satisfaction of wants.

- **WHY SHOULD PARENTS TRY TO TEACH CHILDREN TO BE WISE CONSUMERS?**

Because of the conflict between their limited income and their unlimited wants, it is helpful if children learn to become wise consumers. As consumers, they must make choices when they spend money for the goods and services they want. Their spending decisions are influenced by many factors such as friends, family, income, price, and advertising.

- **IS ADVERTISING A BAD INFLUENCE ON CHILDREN?**

Advertising is not entirely a bad influence. Children can acquire much information about products from advertising. But, like all consumers, children should learn to be careful about relying too much on advertising. Producers use advertising to increase the demand for their products, but many times they do not use facts to make their case. Children need to learn to weigh the benefits and costs of their spending decisions before making purchases.

- **WHAT ECONOMIC AND PERSONAL FINANCE CONCEPTS ABOUT SPENDING ARE CHILDREN IN GRADES K-2 STUDYING?**

Below are concepts related to spending, with definitions, that children in grades K-2 are typically studying. The students are still working with many of the previously learned concepts covered in Themes 1 and 2.





1. **Consumers** are people who buy and/or use goods or services. All people are consumers. To consume is to use a good or service.
2. The **price** is the amount that people pay when buying a good or service.
3. **Spending** is using money to buy goods and services.
4. **Planned spending** is the consideration of alternative choices before money is used.
5. **Unplanned spending** is the compulsive or impulsive use of money with little or no consideration of alternative choices.
6. **Advertising** is the action of calling products to the attention of the public for the purpose of influencing people to purchase the products.



Pencil Activities for You and Your Child

SPENDING \$10

Discuss with your child what he or she might be able to purchase with \$10 in each category listed below. Have the child write about and/or draw the most favored choice on which to spend the \$10. Discuss the opportunity cost—the child's second-favorite item—that would be given up when the spending choice is made.

 for something I want to eat	 for something I want to wear	 for something I want to play with	 for something I want to do

OUR HOUSEHOLD PLANS TO SPEND

Talk with your child about planning to spend money. Discuss recent planned purchases you made for your household. Help the child list the goods and services you bought, and the things you thought about before you made the purchase.

Our household is a consumer. We bought these goods and services:	Our household thought about these things before we spent the money:
1.	
2.	
3.	
4.	
5.	

Ideas and Activities for You and Your Child

CONSUMING AN ALPHABET OF GOODS AND SERVICES

On a sheet of lined paper, have your child write the letters of the alphabet, one letter on each line. Next to each letter write the name of a good or service that you consume that begins with that letter, and have the child add a good or service that he or she consumes that starts with the same letter. See how many letters you can complete.

PLANNING OUR SPENDING

Extend the students' experiences with planned spending by writing grocery lists together, clipping coupons, taking time to think about a purchase and deciding exactly what is wanted before a shopping trip. After the shopping trip, discuss with the child any changes in the spending plan that might have occurred and who made the decision to change the spending plan.

GOODS AND SERVICES FOR A PET

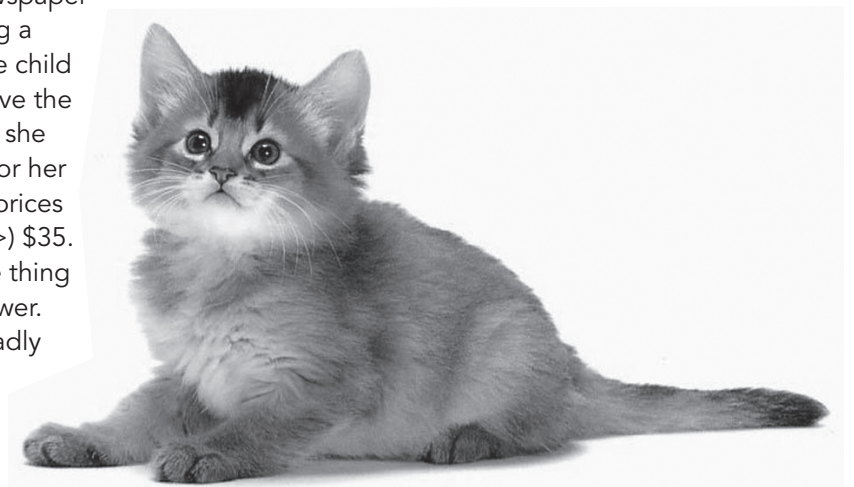
Choose one of your child's stuffed animals—one that could be a pet, such as a dog, a cat, a fish, or a bird. Tell the child to pretend this is a real pet who has many wants for goods and services. Ask:

- Why can't this pet buy goods and services to satisfy its own wants? (**Because it can't handle money and make purchases.**)
- Who would buy the goods and services for this pet? (**The pet owner.**)
- What goods might this pet need? (**Possibly such items as food, a cage, a collar, or pet toys.**)
- What services might this pet need? (**Possibly such services as cleaning the cage, bathing, grooming, or walking the animal.**)

Explain that a consumer is someone who buys or uses goods and services. In this case, the pet's owner is the consumer who buys the goods and services.

BUYING A PET

Find and cut out classified ads in the newspaper about animals for sale or animals needing a good home. Read some of the ads to the child and discuss the prices of the animals. Have the child select two of the animals that he or she would most like to have. Then have him or her write a comparison statement using the prices of the pets, such as \$50 is greater than (>) \$35. Discuss how we often choose to buy one thing instead of another because its price is lower. But many times, if we want something badly enough, we choose the item, even if it is higher priced.



Books for You and Your Child to Share

Berenstain, Stan and Jan. *The Berenstain Bears Get the Screamies*. Random House, 1998.

After promising Mama that they will not get the screamies when she takes them for a day at the mall, the cubs get them anyway. But Mama has the cure. She throws her own screaming fit, mama-style.

Berenstain, Stan and Jan. *The Berenstain Bears Get the Gimmies*. Random House, Inc., 1988.

Gran and Gramps come up with a plan to help brother and sister bear get rid of a bad case of the "greedy gimmies." The plan involved choosing one thing before going shopping, then getting that one thing, or getting nothing.

Bond, Michael. *Paddington Bear and the Christmas Surprise*. HarperTrophy, 1999.

Paddington has saved just enough bun money to take the entire Brown family to Barkridge's store for a holiday adventure, but things don't turn out as planned.

Brown, Marc Tolon. *Arthur's Pet Business*. Little Brown & Co (Juv Pap), 1993.

When Arthur creates his own pet-sitting business in order to prove that he is responsible enough to have a pet of his own, he ends up with a boa in the living room and frogs in the bathtub. With a job to help him prove he is a responsible child, Arthur earns money and purchases a longed-for pet.

Chan, Jennifer L. *One Small Girl*. Polychrome Publishing Corp, 1993.

Although warned not to touch anything, Jennifer Lee manages to amuse herself in her grandmother's and uncle's Chinatown stores.

Day, Alexander. *Carl Goes Shopping*. Farrar Straus & Giroux, 1992.

Carl, the dog, and a baby have a variety of experiences while on a shopping trip.

Hudson, Cheryl Willis. *Glo Goes Shopping*. Just Us Books, 1999.

Glo is a girl on a mission: she must find just the right birthday gift for her friend, Nandi. At the mall, she makes the rounds of stores, browsing and considering. There are so many choices; Glo is a bit overwhelmed.

Khalfani-Cox, Lynette and Susan Beacham. *The Millionaire Kids Club—Garage Sale Riches.* Advantage World Press, 2008.

A group of children calling themselves the Millionaire Kid's Club discover the importance of making wise spending and saving decisions when they squander money that they earn from a garage sale.

Lobel, Arnold and Anita. *On Market Street.* Greenwillow Books, 1989.

A child buys presents from A to Z in the shops along Market Street.

MacCarone, Grace. *I Shop With My Daddy.* Cartwheel Books, 1998.

Father and daughter banter cheerfully up and down the grocery store aisles and finish up the chore with a delicious treat.

Munsch, Robert and Michael Martchenko. *Something Good.* Annick Press, 1990.

"Something good" is exactly what Tyya, Andrew, and Julie want to put into their shopping cart—a wild shopping adventure with the youngest family member, the candy-crazed Tyya.

Payne, Emmy. *Katy No-Pocket.* Sandpiper, 1973.

Katy Kangaroo doesn't have a pocket in which to carry her baby like the other kangaroos. Following the suggestion of an owl, Katy goes to the city where a carpenter gives her his apron, which has many pockets in it.

Silverstein, Shel. *Where the Sidewalk Ends.* Harpercollins Juvenile Books, 1974.

"Smart" is a poem that describes decisions one boy makes about money.

Wells, Rosemary. *Bunny Money.* Puffin, 2000.

Max and Ruby have to decide what to get Grandma for her birthday. In the process, they learn about the value of money.



Theme 4: Credit

What Does Your Child Need to Know?

- **HOW MUCH DO CHILDREN KNOW ABOUT BORROWING?**

Children often borrow in small ways—borrowing a classmate's pencil or paper, borrowing toys from a friend, borrowing books from the school library, or even borrowing small amounts of money from relatives or friends. Like everyone else, children have relatively unlimited wants and a limited income to purchase goods and services. They may satisfy their immediate wants by borrowing. However, children need to realize that they must be responsible borrowers. Responsible borrowers repay loans according to the agreed-upon conditions. Irresponsible borrowers often find it difficult to borrow again.

- **SHOULD CHILDREN BORROW?**

Children should understand that credit is borrowing with the promise to pay back what is borrowed. Children often want goods and services but do not have enough income or savings to satisfy their wants. They can use credit for satisfying present wants with future income. As borrowers, children should consider the consequences before choosing to use credit, recognizing that responsible borrowers repay loans as agreed.

- **SHOULD CHILDREN LEND THEIR POSSESSIONS TO OTHERS?**

When children decide to lend, they enter into an agreement built on trust. As lenders, they should decide if the benefits of lending outweigh the costs. Discuss the risk to the lender that the borrower may lose or damage the item. This risk should be included in the cost when making lending decisions. To insure repayment, they should evaluate the trustworthiness of the borrower when making a lending decision.

• **WHAT ECONOMIC AND PERSONAL FINANCE CONCEPTS ABOUT CREDIT ARE CHILDREN IN GRADES K-2 STUDYING?**

Below are the concepts related to credit, with definitions, that children in grades K-2 are typically studying.

1. **Credit** is borrowing money with the promise to pay back to the lender what is borrowed.
The study of credit involves both borrowing and lending.
2. To **borrow** is to receive something with the intention of returning it.
3. To **lend** is to give something for temporary use on condition that the same, or its equivalent, be returned.
4. A **credit agreement** is a promise to repay money that is borrowed.
5. A **credit card** is a card authorizing purchases now in exchange for payment later.
6. A **check** is a written order directing a bank to pay money as instructed.



Pencil Activities for You and Your Child

BORROWING MATCH-UP

Help your child read the phrases below and draw lines to match the sentence-starters on the left with the endings on the right to make a sentence about a borrowing decision.

I returned your umbrella	it was cool when I raked the leaves.
I borrowed a sweater because	that I used in the rain yesterday.
If I can use your boots	to take pictures of my friends.
You borrowed a pencil from me	I can go out and play in the snow.
I used your camera	to write your story about the field trip.
I need credit for lunch	so I borrowed <i>The Lion King</i>.
I wanted to read a good book	because I forgot to bring my money.

CREDIT COSTS

Help the child figure how much money he or she will need to borrow to buy the items pictured below, if only those coins shown are in his or her pocket.



= 25¢



Credit Needed _____



= 40¢



Credit Needed _____



= \$1



Credit Needed _____

Ideas and Activities for You and Your Child

A TRIP TO THE LIBRARY

Take your child to the public library to borrow books. Explain how people check out and return books. Involve the child in a chat with a librarian about being responsible when borrowing books. Ask how the child can get a library card if he or she doesn't already have one.

A PARENT AS A BORROWER

Explain to your child that most people need to borrow some things at one time or another. Talk about times in your life when you have needed to borrow something and how you returned the item or repaid the loan.

MODELING BORROWING

As a responsible adult you can model good borrowing behavior as you borrow things from friends, neighbors, and relatives. Take the child with you to borrow something, such as a cup of sugar or a gardening tool. Share these times with the child, and give the child the job of helping to remember to return the borrowed items. Remind him or her how important it is to pay back what is borrowed.

GROCERY STORE ROLE PLAY

For this dramatization, ask your child to be the "adult" and you will be the "child," shopping together in a grocery store. Locate grocery items from your kitchen that still have prices on them. Explain that as the "child," you may need to borrow money to purchase something at the store. Select an item that you want to buy. Pretend that you do not have enough money to purchase it, and tell your child how much you have (making up an imaginary amount). Help your child figure how much money you will need to borrow in order to buy the chosen item. Use a calculator if necessary. Repeat the activity several times until the child has grasped the idea well. Change the amount of money you (the child) have in your pocket. Then discuss the process of borrowing and the necessity of paying back money in a timely fashion.



Books for You and Your Child to Share

Bluthenthal, Diana Cain. *Matilda the Moocher*. Scholastic, 1997.

Libby's neighbor, Matilda, frequently borrows Libby's belongings. Libby grows tired of lending and never being repaid, and she takes action.

Bunting, Eve. *A Day's Work*. Houghton Mifflin Paperbacks, 2004.

Believing he should not borrow a day's wages until a day's work has been done, a Mexican-American decides not to accept pay in advance of work to be performed, even though he is in great need of the money.

Fyleman, Rose. *A Fairy Went A-Marketing*. Puffin, 1992.

A fairy borrows from nature but always takes good care of what she borrows, eventually giving it back.

Jeffers, Susan. *Brother Eagle, Sister Sky*. Puffin, 2002.

Chief Seattle's words emphasize the belief of Native Americans that we only borrow from Mother Earth and must always take care of and give back or replace what we borrow in some way that helps to preserve Earth.

Kimmel, Eric A. *Four Dollars and Fifty Cents*. Holiday House, 1993.

A cowboy gets in trouble by borrowing money from anyone who will lend to him. He knows that if he repays one person, he'll have to pay back what he has borrowed to everyone. His refusal to do so causes more trouble for him, exaggerated in comical style.



Theme 5: Money Management

What Does Your Child Need to Know?

- **HOW SHOULD CHILDREN USE THEIR INCOME?**

People in general use income to consume goods and services and to save money for later use. Children have the same uses for their income.

- **SHOULD PARENTS TRY TO TEACH THEIR CHILDREN TO USE A BUDGET?**

Like adults, children need to learn to use their money wisely. They will benefit from learning to consider the limited income they receive and how to use it to satisfy their wants and provide for the periodic expenses they may incur. Even children may have periodic expenses, which are expenses that occur occasionally and for which people budget money.

- **WHAT ECONOMIC AND PERSONAL FINANCE CONCEPTS ABOUT MONEY MANAGEMENT ARE CHILDREN IN GRADES K-2 STUDYING?**

Below are the concepts related to money management, with definitions, that children in grades K-2 are typically studying. The students are still working with many of the previously learned concepts.

1. **Money management** is a system for balancing income and spending. It helps people to achieve their financial and consumer goals.
2. A **budget** is a spending and saving plan to help people manage their money.
3. **Interest** is a payment made for the use of borrowed money, or received for loaned money.



Pencil Activities for You and Your Child

I HAVE FIVE DOLLARS TODAY

Tell your child to pretend that he or she has five dollars today. Explain that he or she should draw and/or write about where the money came from in the left column below and where the money will go in the right column.



Where I Got It	What I'll Do With It

Ideas and Activities for You and Your Child

BUDGETING FOR A FAMILY OUTING

With your child, plan an outing. Determine the amount of money you want to spend on the outing. Work with your child to plan a budget. Discuss the possible choices and the costs of each.

CHARITABLE ORGANIZATIONS

Discuss with your child some of the charities people give money to, especially those concerning children. Talk to him or her about how the charities get the money they use to help people. If possible, visit one of these programs and involve the child in a discussion with a representative of the charitable organization about where the charity's money comes from and how it is spent.

TONGUE TWISTERS

Help your child make up tongue twisters about money concepts they have learned in the *Financial Fitness for Life, Grades K-2* curriculum, such as:

- Suzie Strong spent some cents swiftly at the store.
- Dolly Dew dropped the dollars Donnie deposited.
- Billy Baker budgeted big bucks for buying bicycles.



Books for You and Your Child to Share

Berenstain, Stan and Jan. *The Berenstain Bears Think of Those in Need.* Random House, 1999.

When Mama Bear decides that the family has accumulated too many old toys, books, and games, the bears sort through all their extra stuff and take it to the Old Bears Home, the Beartown Children's Hospital, and the Bears-Who-Care Store.

Bodnar, Janet. *Raising Money Smart Kids: What They Need to Know About Money and How to Tell Them.* Dearborn Trade Publishing, 2005.

The author shares advice on teaching children from pre-school to high school about personal finance.

Godfrey, Neale S. *Neale S. Godfrey's Ultimate Kids' Money Book.* Aladdin, 2002.

Facts, fables, advice, strategies, games, history, vocabulary, and more are presented in this exciting treatment of money and economics for kids. It tells the story of money from bartering to investing. It also describes the structure of the American economy, the role of government in the American economy, taxes, the laws of supply and demand, inflation and depression, and stocks and bonds.

Godfrey, Neale S., Carolina Edwards, and Tad Richards. *Money Doesn't Grow On Trees: A Parent's Guide to Raising Financially Responsible Children.* Fireside Publishers, 2006.

This guidebook about money management suggests activities for parents and youth from the age of two years through the teen years, using age-appropriate exercises and concrete examples.

McCurrach, David. *Kids' Allowances—How Much, How Often & How Come: A Guide for Parents.* Kids' Money Press, 2000.

This book explains how an allowance may be used to teach kids to manage their money responsibly. It is also used as a tool to encourage saving, sharing, and appropriate gift giving.



Financial Fitness for Life®

Parent Guide

Grades 3-5

A Letter to Parents, Friends and Family Members

Have the children in your life ever asked these questions?



Most adults have heard these questions from children and have struggled to answer them. How can you answer these questions and provide children with information about earning income, spending, saving, credit, and budgeting? A school program called *Financial Fitness for Life* provides classroom instruction as well as activities and information for parents of children in grades kindergarten through 12 to use in answering these questions. This combination of "coaching" from school and home can help children develop financial skills to take control of their financial future. Just as we develop physical fitness through education, exercise, and practice, we want your child to develop financial fitness through education, exercise, and practice.

This guide is the parent component of the *Financial Fitness for Life* program for children in grades three to five. As children learn about income, spending, credit, saving, and money management at school, you'll have the chance to help them learn more at home. This guide has several sections for each theme. One section describes important background information and economic and personal finance concepts that children can learn and apply. A second section has activities that can be completed with children for use in the classroom, and activities that can be done at home. A final section provides a list of resources that children may find useful in learning about income, saving, spending, credit, and money management. This section also lists stories that will let children turn reading time into a fun way to learn about personal finance.

Enjoy your pursuit of financial fitness!

Theme 1: Earning Income

Background Information

You've heard the expression, "Money doesn't grow on trees." You know that it is true, but do children know this? They don't always make the connection between work and earning income. It can be a challenge to help them see this important connection.

Your children are learning about earning income in school. As you help them learn more, keep the following essentials in mind.

- The **primary source of income** for most people is to work for a living.
- **Human capital** is the skills, education, and talent that people possess.
- People can **invest in** (improve) their **human capital** through education, practice, and on-the-job training.
- There is a connection between the amount of **human capital** a person has and the amount of **income** he or she earns.
- **Goods** are objects that can satisfy a person's economic wants. **Services** are actions that can satisfy a person's economic wants.
- **Entrepreneurs** are people who develop new businesses that make goods and services.
- **Profit** is the amount of money left over after all costs of production are paid. Profit is income to the entrepreneur.
- **Taxes** are required payments that citizens make to governments.
- Governments use **tax revenue** to provide goods and services.
- **Sales taxes** are payments made to local governments when goods and services are purchased.
- **Property taxes** are payments made to local and state governments on the assessed value of property people own.
- **Income taxes** are payments to state and federal governments based on the amount of income earned.
- **Gross income** is the amount of income earned before any taxes are withheld.
- **Net income** is the amount of income left in your paycheck after taxes are withheld.

Ideas and Activities for You and Your Child

A HUMAN CAPITAL SURVEY

Human capital is the skills, education, and talent that a person has. People can improve their human capital through education, training, and practice.

Complete the survey below with your child. Discuss the human capital you have and how you have improved it. Help your child recognize that he or she has human capital that can be improved with education.

1. What is your occupation?

2. What special talents or skills do you possess?

3. What is the minimum education level required for your job?

4. What special skills are required for your job?

5. What types of special tools do you use to do your job?

6. During the average year, do you do anything to invest in your human capital? For example, do you attend workshops or seminars, take classes, or participate in employee focus groups?

ENTREPRENEURS IN MY COMMUNITY

Entrepreneurs are individuals who recognize an opportunity to provide a good or service that consumers are willing and able to buy. An entrepreneur gathers the resources needed to produce and sell that good or service in a community, state, or region. Some examples of entrepreneurs include the person who operates a hair salon, the owner of a coffee shop that sells bagels and ice cream, or the owner/operator of a lawn care and garden maintenance service. It would also include the inventors and owners of factories that produce such things as clothing, machinery, or electronics.

Help your child recognize entrepreneurs in your community by using the Yellow Pages or by taking a walk, bus ride, or drive in the community. List below the information that you and your child find.

Business Name	Entrepreneur's Name	Goods or Services Provided
1.		
2.		
3.		
4.		

DO I HAVE TO PAY TAXES ON...?

Taxes are required payments that people make to governments. Please take a few minutes to help your child complete the following table.

Listed in the first column are some items on which you may or may not pay taxes. Please read through the list with your child and check "Yes" if you pay taxes on the item and "No" if you do not. The first one is completed for you.

Item	Yes	No
Wages you earn from your employer	✓	
Food you buy at the grocery store		
Food you buy at restaurants		
Prescription medicine		
Medicine on the shelves that you buy at the grocery store, discount store, or convenience store		
Clothing you buy at garage sales		
Furniture you buy from a furniture store		
Clothing you buy at retail stores		
New or used car that you buy		
Furniture you buy from a resale shop		
Toys you buy from a toy store		
Toys you buy from a garage sale		
House or apartment that you rent		
House that you own		
Doctor visit		

ADDITIONAL ACTIVITIES

1. Make a list of goods and services that your family consumes or uses. Have your child identify those items on the list that are goods and those that are services.
2. Offer your child an opportunity to earn small amounts of income by working at home.
3. Show your child a pay receipt, and discuss the various taxes that are withheld from your check. You may also wish to discuss other deductions taken from your pay.
4. Visit Wise Pockets World at www.umsl.edu/~wpockets/. The Clubhouse library includes stories for children about earning income. See "Heather Learns about Earning" for a clubhouse story on earning income. The Treehouse includes suggestions for teaching children about spending, saving, and borrowing.

Children's Books for Learning About Income

Bulla, Clyde Robert. *Shoeshine Girl*. HarperCollins, 2004.

Sarah Ida is unhappy about spending the summer at her Aunt Claudia's home. Her aunt refuses to give her an allowance. This makes Sarah Ida furious, so she finds a job at a shoeshine stand. As a result, the summer holds many surprises for her.

Bochner, Arthur, Rose Bochner, and Adrienne Berg. *The New Totally Awesome Business Book for Kids*, Revised and Updated, 3rd edition. Newmarket, 2007.

A step-by-step guide for kids starting their own businesses. It includes games, puzzles, and stories.

Davies, Jacqueline. *The Lemonade War*. Houghton Mifflin Books for Children, 2007.

Siblings set up competing businesses and learn about relationships and ethics. Marketing and other business concepts are interwoven in the story.

Lasky, Kathryn. *Vision of Beauty: The Story of Sarah Breedlove Walker*. Candlewick Books, 2000.

Lasky tells the story of one of the most successful female entrepreneurs in American history. Overcoming incredible hardships, Sarah Walker built her business from her door-to-door sales into one of the largest companies in the U.S. in the early 20th century.

Mitchell, Barbara. *Shoes for Everyone: A Story about Jan Matzeliger*. Carolrhoda Books, 1988.

Long ago, only very wealthy people could afford to have comfortable shoes. After many years of struggle, Jan Matzeliger invented a machine that made the production of shoes quicker and cheaper.

Rancic, Bill. *Beyond the Lemonade Stand*. Razorbill, 2006.

This book spells out the basics of opening your own business.

Rawls, Wilson. *Where the Red Fern Grows*. Bantam Books, 1984.

Billy works and saves his money for two years so he can buy a pair of coon dogs. Billy and his dogs hunt together and share many adventures.

St. Pierre, Stephanie. *The Story of Jim Henson, Creator of the Muppets*. Gareth Stevens, 1997.

From his youth, Jim Henson was a talented artist and puppeteer. His creativity and entrepreneurial spirit led to a remarkably successful business while delighting children and adults with the charming Muppets.

Wilder, Laura Ingalls. *The First Four Years.* Harper Trophy, 2007.

Laura and Almanzo marry and begin their lives together as farmers. They face the hardships of drought, hailstorms, blizzards, and snow, which compound the economic difficulties of farming.

Williams, Vera. *A Chair for My Mother.* Scholastic Books, 1982.

A little girl and her mother save part of their income to replace a chair destroyed in a fire.



Theme 2: Saving

Background Information

Why save? Saving is one of the basic financial issues for adults and children. Saving helps people acquire assets, plan for their future goals, and prepare for retirement. Few people would argue that saving is a bad idea. However, from the mid-1990s through 2007, personal savings rate in the United States was at a very low level (at times approaching 0% of personal disposable income). The savings rate increased in response to the uncertainties associated with financial crisis and the 2008-09 national recession. Even then, the savings rate was lower than it was in the early 1980s. It seems that many Americans prefer to accumulate debt rather than save for short- and long-term goals.

As you teach your child about saving, keep the following essentials in mind.

- People save to satisfy future wants.
- A **want** is a desire that can be satisfied by consuming a good or service.
- When people save, they incur an opportunity cost. **Opportunity cost** is the highest-valued alternative people give up when they make a choice. For example, if a child saves a dollar to buy a bike in the future, the opportunity cost is the thing(s) the child would have bought with the dollar today.
- When people save, they trade off things today for things tomorrow.
- When people spend, they trade off things tomorrow for things today.
- **Interest** is income people receive for allowing the bank or someone else to use their money.
- People are able to save more when they have **interest earnings** on the funds they save.
- **Interest earnings** provide an incentive to savers.
- People have **short-term** and **long-term** savings goals.
- **Short-term** goals are things people want within one year.
- **Long-term** goals are things people plan to get after one year.
- Developing a **saving plan** will help people achieve savings goals.

Ideas and Activities for You and Your Child

SAVING TOWARD A GOAL

This activity will help your child understand the difference between short-term and long-term savings goals. A short-term goal is one that can be reached in less than a year. A long-term goal requires more than a year. To help the child understand long-term and short-term goals, try the following activity.

- Have the child identify a short-term saving goal. This is an item he or she will be able to purchase by saving for less than a year. For example, saving for a new video game or a new pair of jeans is a short-term goal.
- Have the child identify a long-term saving goal. This is an item he or she will be able to purchase by saving for more than a year. For example, saving for a new bike, a new video game play system, or spending money for camp next year might be long-term goals.
- Use two different-sized boxes, oatmeal containers, or other containers. Have the child draw pictures of the items that represent each of his or her goals. Tape or glue the picture representing the short-term goal to the smaller container. Tape or glue the picture representing the long-term goal to the larger container. Explain that the small box represents the short-term goal for which your child needs the smaller amount of money. The larger box represents the long-term goal requiring more money. Help the child decide how to allocate money to spending now and saving for each goal.



MONEY IN THE BANK

Saving is income not spent on goods and services now. To help your child learn more about saving, try the following activity.

- Help the child select a goal for which he or she might save, such as a Mother's Day gift for a grandmother, a new pair of soccer shoes for the upcoming season, or spending money for a vacation trip. Using the child's allowance, help him/her devise a plan for saving. Discuss interest with the child.
- Help your child determine if the savings goal is short-term or long-term. With a short-term goal, you may wish to act as a bank and pay the child interest on his or her savings. With a long-term goal, you may choose to plan a trip to a bank to open or add money to a savings account. If you serve as a bank for the child, be sure to record the child's deposits and withdrawals on the Home Bank Record Sheet on the adjacent page. Also make copies of the withdrawal and deposit slips accompanying this activity. Make sure that the child understands that he or she can make deposits and/or withdrawals using these slips. Point out that interest will be earned only if the money stays in the account.
- When the child wants to buy something, point out that the money can be taken from his or her savings account. However, make sure to tell the child that the opportunity cost is the gift, shoes, or vacation fun he or she gives up in the future, or the fact that he or she must save for a longer time period for the future purchase.

Child's Name: _____

Date	Amount Deposited	Amount Withdrawn	Interest Earned	Account Balance

Example:

Suppose Erin opens an account with a deposit on May 18, 2011. This transaction would be recorded as follows:

Date	Amount Deposited	Amount Withdrawn	Interest Earned	Account Balance
5/8/11	\$.50			\$.50

On May 12, she withdraws 25 cents, which would be recorded as follows:

Date	Amount Deposited	Amount Withdrawn	Interest Earned	Account Balance
5/8/11	\$.50			\$.50
5/12/11		\$.25		\$.25

On May 30, she earned interest of 4% (\$.01). (Since you are the bank, you can choose the interest rate.) This would be recorded as follows:

Date	Amount Deposited	Amount Withdrawn	Interest Earned	Account Balance
5/8/11	\$.50			\$.50
5/12/11		\$.25		\$.25
5/30/11			\$.01	\$.26

Withdrawal Slip

Child's Name: _____ Date: _____

Withdrawal Amount: _____

New Balance in the Account: _____

Deposit Slip

Child's Name: _____ Date: _____

Amount of Deposit: _____

New Balance in the Account: _____

ADDITIONAL ACTIVITIES

1. Discuss your family's savings goals. For example, you may be saving for a short-term goal, such as a vacation, or a long-term goal, such as college for a child. Identify examples of things that you and other family members give up now in order to save for vacation or college in the future. Remind the child that the most highly-valued thing you give up now represents the opportunity cost of saving for your goal.
2. Ask the child to explain this Japanese proverb: "Money grows on the tree of patience." After guiding him or her to recognize that it takes time to save, draw a tree with an area for leaves on a big piece of paper. Have the child trace a dollar coin, or a quarter, dime, nickel, or mix of coins, filling up the leafy part of the tree and up the tree trunk. Tell him or her to write the proverb at the top of the paper. At the bottom, the child may label the tree with a savings goal that he or she has. Every time the child does something special, give him or her an appropriate coin to fill up the spaces. When the spaces are full, allow the child to save further or put the money in a bank.
3. Visit Wise Pockets World at www.umsl.edu/~wpockets/. The Clubhouse library includes stories for children about spending, saving, and responsible borrowing. See "Will Saves for the Stars" for a clubhouse story on saving. The Treehouse includes suggestions for teaching children about spending, saving, and borrowing.

Suggested Reference Books for Teaching Children About Saving

Brooks, Yvonne. *Kids Finance 101: A Guide to Financial Success for Parents and their Children.* iUniverse, 2007.

This book discusses financial responsibility, saving for a long-term goal, investing, and budgeting.

Harman, Hollis Page. *Money Sense for Kids.* Barron's Educational Series; 2nd edition, 2005.

From an examination of currency, to saving and investing, this book combines information with fun games for children to play with adults.

Children's Books for Learning About Saving

Aesop (illustrated by Bari Weesman). *The Ant and the Grasshopper.* Houghton Mifflin, 1991.

The classic fable, with a moral about saving for the future.

Babbitt, Natalie. *Tuck Everlasting.* Farrar, Strauss and Giroux, 1985.

What are the benefits and costs of living forever? Meet the Tuck family, Winnie, and the man in the yellow suit.

Bunting, Eve. *Fly Away Home.* Clarion Books, 1991.

Andrew and his father live at the airport. Both work and save their income. Their savings goal is to be able to afford an apartment.

Hoban, Russell. *A Bargain for Frances.* Harper Row, 1970.

Frances has a savings goal and has saved her money. Her friend decides that she wants the same thing.

Lea, Ted. *When I Grow Up, I'm Going to Be a Millionaire (A Children's Guide to Mutual Funds).*

Trafford Publishing, 2006.

Educates children about saving and investing by telling a story about two children and their saving and spending decisions.

Kehret, Peg. *The Richest Kids in Town.* Aladdin, 1997.

Two boys design a variety of money-making schemes that don't quite work out. They both have a savings goal. Now, all they need is to earn some income.

Khalfani-Cox, Lynette and Susan Beacham. *The Millionaire Kids Club—Garage Sale Riches.* Advantage World Press, 2008.

A group of children calling themselves the Millionaire Kid’s club discover the importance of making wise spending and saving decisions when they squander money that they earn from a garage sale.

Konigsburg, E. L. *From the Mixed-Up Files of Mrs. Basil E. Frankweiler.* Atheneum, 1967.

Claudia and Jamie make many economic decisions during their stay at the Metropolitan Museum of Art in New York City.

Mitchell, Margaret King. *Uncle Jed's Barbershop.* Simon and Schuster, 1993.

Despite great obstacles, Sarah Jane's Uncle Jed, the only African-American barber in the county, pursues his dream of saving enough money to open a barber shop.

Rockwell, Thomas. *How to Eat Fried Worms.* Random House, 2006.

A mini-bike is the goal. The problem: Billy can earn \$50 toward his goal by eating 15 worms in 15 days.

Sember, Brette McWhorter. *The Everything Kids' Money Book: Earn it, Save it, and Watch it Grow!* (Everything Kids Series). Adams Media, 2nd ed., 2008.

From saving to meeting goals to online banking, this book deals with relevant money topics.

Seuling, Barbara. *There are Millions of Millionaires: And Other Freaky Facts about Earning, Saving and Spending.* Picture Window Books, 2008.

The title says it all.

Williams, Vera. *A Chair for My Mother.* Scholastic, 1982.

A story about working and saving money to buy a new chair after a fire.



Theme 3: Spending and Credit

Background Information

How many times have you heard these expressions? "I need a new bicycle, a soccer ball, lunch money, bus money, a video game, a computer, a TV in my room, books, candy . . ." Children (just like adults) have no end to their wants for goods and services. Of course, the bad news is that children (just like adults) can't have everything they want. In economics, scarcity (lack of the resources necessary to satisfy peoples' unlimited wants) is the culprit.

Because children and adults can't have everything they want, they must make careful spending and borrowing decisions. You can help children learn how to take control of their financial future. You can help them become wise consumers by introducing them to a few basic ideas.

As you teach children about spending and credit, keep the following essentials in mind.

- People can't buy everything they want, so they must make **wise decisions**.
- **Spending decisions** are made by people—sometimes on behalf of their families and other times on behalf of groups.
- Wise consumers make careful spending decisions by looking at alternatives, **considering criteria** (things that are important to them about their purchases), and evaluating each alternative according to the criteria.
- Careful spending decisions are important because every decision has an **opportunity cost**—something is given up when a decision is made. To choose one thing is to refuse another.
- **Advertising** is usually designed to increase consumer desire for a product. Often it also provides information about the product. Ads use many approaches such as logos, jingles, and slogans to help consumers remember products. Other tactics that ads use to influence consumers include celebrity endorsement (perhaps by a sports star), authority endorsement (perhaps by a medical association), the bandwagon strategy ("everyone's using it"), and product comparison ("our product lasts longer").
- Advertisements use both facts and opinions to sell a product.
- **Comparison shopping** is a useful tool for making careful decisions about products.
- Borrowers must be trustworthy to be considered creditworthy.
- **Credit** is money lent, usually for a fee, that must be repaid by a borrower at a future time. **Debt** is the other side of the coin. It is money borrowed, usually for a fee, which must be repaid at a future time.

- **Collateral** is something that is used to guarantee a loan.
- A credit application is a form that is used when people wish to borrow. It includes questions about a person's ability to pay off borrowed funds.
- A **credit report** is a record of a person's credit history, including willingness and ability to repay.
- **Creditworthiness** is the ability and willingness to repay debts.
- Using credit means giving up something in the future in order to get something today. It is the opposite of saving.
- The use of credit has **benefits** and **costs**.



HOW SHOULD I PAY?

Read the list below with your child. Check the box that indicates the method of payment you have used or would use for each item on the list. With the child, discuss why it might be practical to pay for a used refrigerator with a check, buy a pack of gum with cash, pay for clothing with a debit card, and so on. Which of these items might you pay for using online banking?

Good or Service	Cash	Check	Debit Card	Credit Card	Money Order
Gallon of milk					
New blue jeans					
Electric bill					
Candy bar					
Gasoline					
Bus pass					
Bus fare					
Library fine					
Magazine					
Doctor bill					
Movie ticket					

IT PAYS TO COMPARE

Help your child learn more about comparison shopping by taking him or her to the grocery store with you. Select a product such as bread, canned green beans, frozen corn, boxed cereal or juice. Compare different brands of this product by using the criteria found in the table below. Develop additional things to consider (criteria) about the products, as appropriate.

Help the child write several sentences based on the criteria to explain why one brand was chosen over others.

Products	Criteria						
	Price per Ounce	Flavor/Taste	Nutritional Value				

Which brand did you choose, and why?

ADDITIONAL ACTIVITIES

1. Ask the child to explain the concept of opportunity cost and its power to help people make better decisions by identifying what was given up when a decision was made.
2. Review household members' spending diaries. Identify the spending alternatives and the opportunity costs of various spending decisions listed in the diaries.
3. Talk with the child about product logos that he or she recognizes. Discuss the brands of products found in your home. Why were these brands purchased? Did advertising influence the decisions to buy these products?
4. Identify a major product that might be purchased in the future such as a TV, a refrigerator, or a computer. With the child, develop a list of criteria for purchasing this product. Collect print ads and analyze the information provided about these products. Visit a local store and compare the actual features of the products. Based on the information collected, make a decision regarding which of the brands of this product would be the best purchase for your household.
5. Show your child a credit card bill and point out specific purchases in which the child was involved. For example, if the credit card was used to purchase new school clothes or school supplies, point those out on the bill. Explain that the child has had the clothing and supplies for several days or weeks already; however, now the bill for those clothes and supplies must be paid.
6. Show the child your checking account statement. Point out deposits, withdrawals, use of debit cards, automatic payments, online payments and checks written. Explain that each month you receive a statement and you check to make sure that your records for the account agree with the bank.
7. Share your experiences using credit with the child. Explain which household items were purchased with credit and how the decisions to borrow were made based on the benefits and costs of credit.
8. Visit Escape from Knab: The Adventure™ a free, entertaining, interactive website where children are located on a strange planet, Knab. In order to save enough money to return to earth, children must make wise spending decisions. Check it out with the child at www.escapefromknab.com.
9. Visit Wise Pockets World at www.umsl.edu/~wpockets.com/. The Clubhouse library includes stories for children about spending, saving, and responsible borrowing. See "Tim's Turn to Learn" for a clubhouse story on saving and "Giving Vicki Credit" for a clubhouse story about credit. The Treehouse includes suggestions for teaching children about spending, saving, and borrowing.
10. Visit www.councilforeconed.org for more ideas, activities, and links to great personal finance and economic education websites.

Children's Books for Learning About Spending and Credit

Adams, Barbara Johnston. *The Go-Around Dollar*. Four Winds Press, 1992.

Matt and Eric find a dollar bill on their way home from school. The story follows the dollar as it is used for many transactions throughout the day.

Axelrod, Amy. *Pigs Will Be Pigs: Fun with Math and Money*. Aladdin, 1997.

How much money can the pigs find around the house and what will they be able to order at a restaurant with that money?

Brimmer, Larry Dane. *Country Bear's Good Neighbor*. Boyds Mills Press, 2001.

Country Bear borrows all the ingredients to bake a cake from his neighbor. Then he shares the cake with the neighbor.

Brittain, Bill. *All the Money in the World*. Harper Trophy, 1992.

Quentin wishes for all the money in the world. He thinks that all his wants will be satisfied. Little does he realize the problems that his wish has created.

Bochner, Arthur and Rose. *The New Totally Awesome Money Book for Kids*. New Market, 2007.

Written by kids, for kids (with the help of a mother who just happens to be a financial planner), this book talks about saving, investing, earning money, and spending it wisely.

Herman, Charlotte. *Max Malone Makes a Million*. Holt, 1992.

Max decides to make his fortune after reading about how another young boy did it.

Inkpen, Mick. *The Great Pet Sale*. Orchard Books, 1999.

A little boy decides what pets he can afford at the great pet sale.

Khalfani-Cox, Lynette and Susan Beacham. *The Millionaire Kids Club—Garage Sale Riches*, Advantage World Press, 2008.

A group of children calling themselves the Millionaire Kid's club discover the importance of making wise spending and saving decisions when they squander money that they earn from a garage sale.

Kimmel, Eric A. *Four Dollars and Fifty Cents*. Holiday House, 1993.

To avoid paying the widow Macrae the four dollars and fifty cents that he owes her, deadbeat cowboy Shorty Long plays dead and almost gets buried alive.

Kunhardt, Edith. *Which One Would You Choose?* Greenwillow Books, 1989.

Follow Maggie and Will through a day making choices. The reader participates by making a choice among four alternatives.

Mayer, Mercer. *Just Shopping with Mom.* Random House, 1998.

Mom takes the children to the grocery store, and they want everything. There are great differences between what Mom wants and what the children want. Everyone must make choices.

Page, David. *The Lemonade War.* Willowisp Press, 1993.

Pam and Julie want to earn enough money to buy a video game. They decide to open a lemonade stand. They argue over advertising the lemonade, and the war begins.

Schwartz, David. *If You Made a Million.* Scholastic, 1989.

This book introduces earning income, consuming, and saving money. What are all the choices someone might make with a million dollars?

Slater, Teddy. *Max's Money.* Scholastic, 1998.

Max tries to borrow money to buy his mom a birthday gift. His sister and brother won't lend to him because he still owes them from the last time he borrowed.

Voight, Cynthia. *Dacey's Song.* Anthenuem, 1982.

Dacey's mother has died. Her grandmother gives Dacey \$100 to spend on Christmas gifts. Dacey finds that choices are difficult.

Viorst, Judith. *Alexander, Who Used to Be Rich Last Sunday.* Aladdin, 1980.

Alexander explores the consequences of his spending decisions. For Alexander, spending becomes too easy when he doesn't think about how he makes choices.

Williams, Vera. *Something Special for Me.* Greenwillow Books, 1986.

The money jar that Mama, Grandma, and Rosa fill with coins will be emptied to buy Rosa whatever she wants for her birthday. Rosa carefully considers her alternatives and opportunity cost before making a decision.

Theme 4: Money Management

Background Information

Just the thought of developing a budget is enough to frighten many adults. We've been taught many skills that help us earn income. But we may not have been taught skills to help us manage what we earn. Sometimes we figure it out on our own. Other times, we seek assistance from accountants, credit counselors, and others with "financial smarts." Wouldn't it be great if children learned some of those money management skills so they will be prepared to manage the income they earn?

You can help children learn about budgeting and money management. As you work with children, keep the following essentials in mind.

- **Income** is payment people receive for resources they provide in the marketplace.
- **Expenses** are payments (spending) for goods and services
- **Fixed expenses** are those that do not change from month to month. For example, your house payment or rent is a fixed expense.
- **Variable expenses** are those that change from month to month. For example, the amount spent for groceries is a variable expense.
- A **budget** is a plan to manage income, saving, and spending.
- A budget is balanced when income equals expenses and savings.
- If expenses are greater than income, income must increase, expenses must decrease, or both must occur.
- **Saving** is income not spent on current consumption.
- People have limited income. So they must make careful spending and saving decisions.
- When people make choices, they should carefully weigh the costs and benefits of the alternatives available.



Ideas and Activities for You and Your Child

PLANNED OR UNPLANNED? FIXED OR VARIABLE?

Expenses are payments (spending) for goods and services. Often people can estimate what their expenses will be during the month and plan accordingly. Help your child complete the table below by checking those items that are expenses for which you plan each month.

Place a check in the "Yes" column if this is an expense for which you plan. Place a check in the "No" column if this is an expense for which you do not plan. You may add items if you wish.

Item	Planned Expense	
	Yes	No
Rent/mortgage		
Clothing		
Electricity		
Gasoline		
Groceries		
Car payment		
Bus pass		
Meals at restaurants		
Entertainment		
Insurance payment		
Water service		
Telephone service		

Now that we better understand planned and unplanned expenses, let's look at fixed and variable expenses. Fixed expenses are those that are the same from month to month. Variable expenses are those that change from month to month. To help your child gain a better understanding of these two types of expenses, work with him or her to complete the table below. Read the items in the first column of the table and decide whether they are fixed or variable, then check the appropriate column.

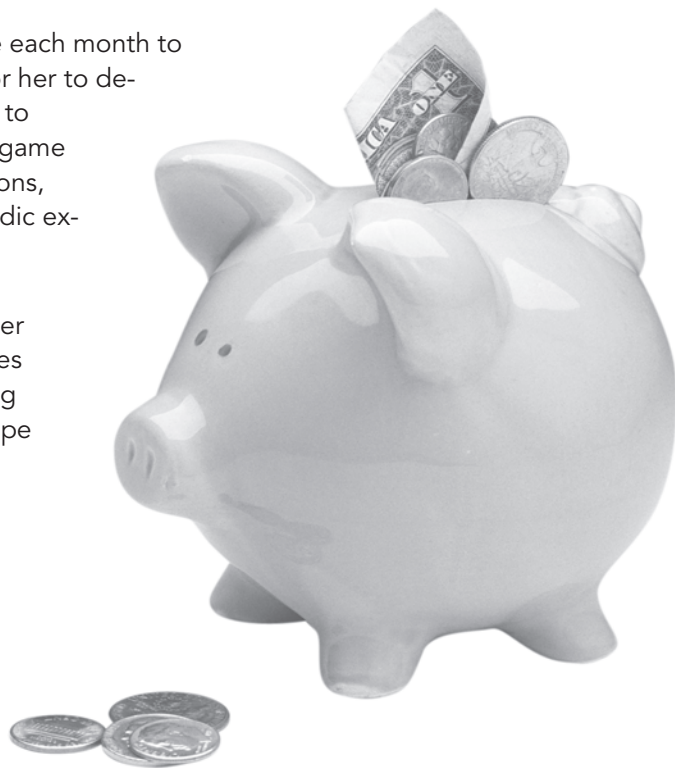
Ask the child to explain which expenses the family could reduce and which they could not reduce in order to pay an unexpected expense, such as a car repair bill.

Item	Fixed Expense	Variable Expense
Groceries		
Electric bill		
Newspaper		
Clothing		
Rent/house payment		
Car payment		
Bus pass		
Meals at restaurants		
Movie rentals		
Gasoline		
Doctor's bill		
Phone bill		

MY PERSONAL BUDGET

Try the following activity to help your child learn how to manage his or her money.

- Help him or her make a list of expenses over time (snacks, gifts, donations to place of worship, entertainment).
- Remind the child that some expenses may be fixed and some may be variable.
- Introduce the idea that some expenses occur occasionally during the year, such as holiday-gift expenses, birthday-gift expenses, and bicycle-repair expenses. These are called periodic expenses. Periodic expenses can be hard to pay unless you plan for them in advance. Explain that people can plan for these expenses by estimating how much they will be each year and dividing that amount by 12 to determine a "monthly periodic expense" amount. Then each month, the "monthly periodic expense" amount can be set aside until it is needed. Identify some periodic expenses for your household, such as insurance payments, car repairs, holiday spending. Estimate the yearly amount spent on these periodic expenses. Divide that amount by 12 and explain to the child that this is the amount the household needs to set aside each month in order to have money available to pay these periodic expenses.
- Help the child decide how much to put aside each month to meet his or her periodic expenses. Ask him or her to decide on something for which he or she wants to save (new bike, new video game, new video game system). Label five envelopes: saving, donations, fixed expenses, variable expenses, and periodic expenses.
- Explain that when your child receives his or her allowance, earns money from work, or receives money as a gift, he or she can divide it among the envelopes. Help the child use this envelope system of budgeting each month.



ADDITIONAL ACTIVITIES

1. Make a list of the household's expenses. This list need not include dollar amounts spent. Work with the child to identify which of the expenses are fixed, variable, and periodic.
2. Present the child with a spending problem and help him or her analyze the costs and benefits of alternative solutions to the problem. For example, suppose the child receives a \$25 check for his or her birthday. Help him or her decide how this might be allocated to saving for long-term goals, current spending, and donations.
3. Visit Wise Pockets World at www.umsl.edu/~wpockets/. The Treehouse includes suggestions for teaching children about income, spending, saving, taxes, borrowing, and money management.
4. If you have a computer with a spreadsheet program, such as Excel, use it and work with the child to set up a budget for the household or a personal budget for him or her to use.
5. Visit www.councilforeconed.org for more ideas, activities, and links to great personal finance and economic education web sites.



Children's Books for Learning About Money Management

Help children learn about income with these children's books.

Harman, Hollis Page. *Money Sense for Kids*. Barron's Educational Series, 2nd ed., 2005.

From an examination of currency to saving and investing, this book combines information with fun games for children to play with adults.

Holmberg, Joshua and David Bruzzese. *The Teen's Guide to Personal Finance: Basic Concepts in Personal Finance that Every Teen Should Know*. iUniverse, 2008.

Stories and worksheets help keep teen readers engaged in this work that covers topics ranging from opening a bank account to investing.

Leitz, Linda. *The Ultimate Parenting Map to Money Smart Kids*. Bright Leitz Publishing, 2005.

Needs versus wants, tradeoffs, consumer decision making, and values are but a few of the topics discussed in this practical guide.



Glossary

Benefit/cost analysis:	A way to make decisions or choices by comparing the good points and the bad points of alternatives. A way to evaluate alternatives by comparing expected benefits (+) and costs (-) of each alternative before making a choice or decision.
Benefit:	The gain (+) received when a choice is made.
Borrowing:	Obtaining funds through loans, a method of satisfying today's wants using future income.
Budget:	A plan for managing income and spending.
Budgeting:	Using a plan for managing income and spending.
Consume:	To use a good or service to satisfy an economic want.
Consumer:	A person whose wants are satisfied by using goods and services.
Consumption:	Using goods and services to satisfy wants.
Cost:	What must be given up (-) when a decision is made.
Credit:	Money loaned, usually for a fee, that must be repaid at a future time.
Creditworthy:	Having the qualities that show the ability to obtain and repay debts.
Economic want:	A desire that can be satisfied by a good or service.
Fact:	A statement that can be proven true or false.
Goals:	Things or results people hope to achieve in the future.
Goods:	Objects that can satisfy wants.

Glossary

Impulse buying:	Buying goods or services without carefully comparing the benefits (+) and costs (-) of the decision.
Incentive:	A factor that motivates or influences human behavior.
Income:	Money people receive, usually for work they do. Income may also be obtained periodically from gifts, interest payments, or other earnings from investments.
Interest:	A payment made for the use of borrowed money or received for loaned money.
Investment:	Spending to purchase capital resources or to improve human resources.
Money management:	A system for earning income and spending income to achieve financial and consumer goals.
Opportunity cost:	The highest-valued alternative that is given up when a choice is made.
Opinion:	A statement based on beliefs or values.
Price:	The amount of money that people pay to buy a good or service.
Saving:	Income that is not spent. Income that is set aside for future use.
Scarcity:	The condition of not being able to have all of the goods and services that you want. Scarcity exists because limited productive resources are insufficient to provide for peoples' unlimited wants.
Services:	Activities that can satisfy a person's economic wants.
Spending diary:	A record of spending over some period of time.
Trade-off:	Giving up some of one thing to get some of another thing.

Mission Statement

The mission of the Council for Economic Education is two-fold: To advocate for better and greater school-based economic and personal finance education at the K-12 level; and to educate young people in the United States and around the world, primarily through well-prepared teachers, so they may become empowered with economic and financial literacy.



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ISBN 978-156183698-7



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