

DID YOU KNOW?

A study conducted in 2005 and sponsored by the National Council on Economic Education showed that...

- 66 percent of high school students tested on basic money skills scored an 'F', and only 32 percent received an 'A'.
- Over 58 percent of students surveyed (ages 12-17) said they wouldn't bother to bend down and pick up money unless it was a dollar or more.
- Over 50 percent of the same students surveyed have received no financial education.
- 1.4 million Americans filed for personal bankruptcy in 1998.



FOR MORE INFORMATION

NC Public Schools Website

<http://www.ncpublicschools.org/docs/curriculum/socialstudies/elementary/elefinanciallit.pdf>

<http://www.ncpublicschools.org/docs/curriculum/socialstudies/middlegrades/2005financialliteracy.pdf>

Money Math: Lessons for Life

<http://www.publicdebt.treas.gov/marmoneymath.htm>

Consumer Jungle

http://www.consumerjungle.org/junglemambo/index.php?option=com_content&task=view&id=284&Itemid=499

EcoEdLink

www.econoedlink.org

Foundation for Teaching Economics

www.fte.org

Money Instructor

www.moneyinstructor.com

National Council on Economic Education

www.ncee.net

Financial Education

http://www.financial-education-icfe.org/children_and_money/financial-literacy-improves-among-nations-high-school-students.asp

U.S. Financial Literacy and Education Commission

<http://www.mymoney.gov/>

MAKING the GRADE

EDUCATION FOR THE 21ST CENTURY



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5171 Glenwood Ave., Ste. 364
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www.ncpress.com



PUBLIC SCHOOLS OF NORTH CAROLINA
301 N. Wilmington Street, Raleigh, NC 27601-2825
PHONE :: 919.807.3300, www.ncpublicschools.org

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MAKING the GRADE

SPRING 2007



UNDERSTANDING FINANCIAL LITERACY

Having checks in the checkbook does not necessarily mean there's money in the bank, and the ATM does not freely give cash because you have a little plastic card! Parents may find teaching these economic concepts quite frustrating in what some children believe is an age of "freely flowing funds."

How can parents begin guiding children to distinguish between "needs" and "wants" or to understand that decisions have consequences? Through an early introduction to basic economic vocabulary and principles, and exposure to healthy spending habits, children can begin to move toward becoming financially literate.

This edition of *Making the Grade* offers practical ways for you to open discussions and to begin practices that will increase your child's understanding of basic economic principles.

ACTIVITIES THAT DEVELOP FINANCIAL LITERACY

Elementary Grades

Spending Jars:

Gather three jars (with lids) that are the same size. Label one jar “Spending,” label another jar “Savings,” and label the last jar “Helping Others.” You and your children can then work together to figure-out as a group what amounts and goals to reach in each of these three areas.

After you've reached agreement, have your children put a part of their allowance in each jar based on your earlier decisions, the goals you set, and the plans you made for the future. “Helping Others” might mean donating to your local pet rescue mission, to your church, or to your local library. You might also contact local banks for information about child-friendly banking services they offer to encourage children's financial responsibility.

Shopping List:

Sit down with your children and create a grocery shopping list together. Beside each item, list the amount you can afford to spend for that item. When you next go to the grocery store, have each child check the items off your list. Make sure you stay within your budget! This is a great way to teach comparison shopping (looking at the different prices of the same product to get the best value for that item).

Be sure to point out the different marketing techniques companies use to encourage shoppers to buy their products (coupons, colors that draw your attention, placing products that appeal to children at their level on the shelves, for example). Have you ever noticed that the most expensive breakfast cereals are at a child's eye level? Compare sizes, contents, and quality. Also, point out locations of products on shelves. Are the less expensive items at the top or bottom of the shelf? Are products which are the same type (shampoo, for example) on the same row, or do they run from the top to the bottom of the shelf?

Calculator:

Give your child a personal calculator for shopping. These can be purchased for as little as \$1.00. Children can use the calculator to: keep a running record of the grocery shopping trip calculate a sale price when percentages are used compare the price of an item to the amount of the contents in packages and figure sales tax.

The Game of Real Life:

As parents, we often keep our personal and family financial affairs to ourselves and tell our children that this is “stuff for grown-ups.” Children learn from our examples. It's not necessary to give your child the specific details of the family budget, but you can share basic information.

For example, create a spreadsheet, a simple chart, or a calendar which lists the family's expenses each month (power bill, gas bill, water bill, cost of food, cost of daycare, price of going to the doctor, etc.) and their due dates. Let your child be your “friendly reminder” that a certain bill is due in ten days (or whatever unit of time you usually follow).

If you still pay your bills by mail, let your child help with the steps necessary to complete that process: detaching the return portion of the bill, putting it in the envelope (so the address appears in the window), adding your check, making sure it's signed and dated correctly, sealing the envelope, stamping it, and adding your return address to it.

This shows your child that there are many things the family needs to survive and must consider when preparing a budget. It also helps him or her see how important planning and budgeting are in making sure all bills get paid on time. Explain to your child the consequences of not paying bills on time (for example, the electricity gets turned off). Also explain to your children about late fees and how they damage your credit report so that it is not as easy to buy things in the future.

Middle Grades

Part of helping children become financially fit is simply to include them in parts of your discussions about money. Here are a few suggestions that parents of middle school students can do at home to get them thinking about their finances.

What does an XBOX® really cost?

The term “opportunity cost” means the price you pay by choosing to give-up future purchases or activities so that you can buy a product or service now. To show your middle-schooler what “opportunity cost” means (or will mean) in his or her life, sit down and talk about the steps she or he will need to take to earn \$400 (about the cost of a new XBOX® gaming system and a couple of games).

Next, have your adolescent make a list of other things that he or she could get for that same amount of money. Maybe some new clothes? A 10-percent down-payment on a used car? Five percent of tuition for her or his first year of college? Use items that appeal to your child (a trip, tickets to sporting events or concerts, materials to support a hobby).

Finally, have your son or daughter compare those alternatives to buying the console and games. Can they thoughtfully explain the reasoning to support their economic choices? Which option will benefit them the most over time?

You can pay me now, or you can pay me later: Cash and credit?:

If your adolescent buys an iPod® for \$200 and pays with a credit card, the same iPod might cost much more than if bought with cash. Have him or her calculate the final cost of paying by credit card if:

- monthly payments are \$20
- the interest rate is 12 percent a year
- your child gets a \$15 late payment fee

You'll find that the real cost may be \$40 more than if your child had paid in cash.

Apply this same process to another situation in which your child's debt rises to \$6,000 (the average credit card debt owed by college graduates), and the interest rate is 14 percent per year.

Education and Salary:

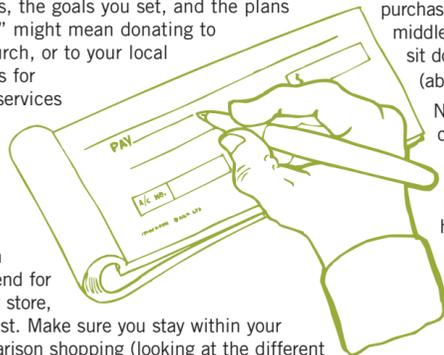
Getting a good education means far more than simply increasing future income. The following figures may motivate your adolescent during a challenging year or class.

According to the U.S. Census Bureau, college graduates made an average of \$51,554 in 2004, the most recent figures available, while adults with a high school diploma earned \$28,645 annually. That's a difference of \$22,909. If that statistic were to remain at relatively the same proportion, a college graduate would earn almost \$1 million more than his or her high school graduate friend. High school dropouts earned an average of \$19,169 a year. Use these facts to discuss with your adolescents what their future educational goals are and how they will attain them.

What's in Your Wallet?

To help students understand that money really does not grow on trees, a parent can help a teenager prepare a budget to purchase items the child would like to have for school and entertainment. For example, have your children make a list of all the items they will need (and/or would like) to begin the new school year. They should consider the things that they already have to determine what they will need to purchase. Give them a set amount to purchase these items.

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ACTIVITIES THAT DEVELOP FINANCIAL LITERACY (continued)

Your child should research the cost of the items that they would like to purchase. Remind them that they must stay within the budget. If the items on the list go beyond your budget, your child should determine which items should be removed from the list. Do this by separating “wants” from “needs.” This exercise will get young people to begin thinking about the tough decisions parents have to make when they balance the household income.

I'm Taking You Straight to the Bank, Not to the Cleaners!

To help your children understand the importance of saving and investing, take them on a field trip to your local bank. They should compare the various account options to find out which best meets their needs. They should also compare the services offered by different banks in your area (as well as the possibility of total, online banking). Consider allowing your child to open the account she or he thinks is the best, and give him or her the responsibility of managing that account.

Who Doesn't Want to be a Millionaire?

Your child could become a millionaire just by understanding and practicing solid financial decisions based on research. Part of becoming rich is understanding the language of wealth creation. First your child must know what assets, liabilities and net worth are. An asset is a possession that generally increases in value or provides a return, such as a savings account, a retirement plan, stocks and bonds, and a house. A liability, also called debt, is money you owe, such as a home mortgage, credit card balances, a car loan, student loans, and hospital and other medical bills. Net worth is the difference between your assets and liabilities. Your net worth is your actual wealth. Then, discuss with your child the things she or he can do today to build wealth in the future. Answers might include saving and investing an allowance rather than spending it on things that will become a liability or lose value over time.

High School

Checkbook:

Create a make-believe checkbook with a simple register and checks. Rather than giving your child his or her entire weekly allowance in cash, put half of it into this pretend checking account against which he or she can write checks. When your child is shopping with you and wants to buy an item, have him or her write a check to you for the amount of the purchase. Remind your child to deduct that amount from the checking account using the register or computer software. Be sure to teach your child how to reconcile and balance this checkbook.

Living on a Budget:

At this level, young adults are becoming more independent and spending more time away from parents. That means making more spending choices without parental guidance. This is the perfect time to have your child develop a budget and stick to it. If he or she does not have a part-time job, provide an allowance for doing extra chores. These should not be routine chores expected of every household member (cleaning house and emptying trash, for example). They should be special jobs that are not needed weekly to maintain a house: tasks such as cleaning windows, raking the yard, trimming hedges, or detailing a car. You should create a detailed job description for each task — a checklist your child can use for guidance in doing the task, and one that you can use to grade her or his performance. Always include what pay your child will receive for completing these special tasks according to the job description.

Make your child responsible for the tools necessary to complete these jobs. Work with him to create a list of all the items needed for the job, and include those on the job description. Examples of what your child might budget for include window cleaner, leaf bags or maybe a sponge to wash the car. Unknown expenses often arise, so teach your child to realize this and be prepared financially to handle those unexpected surprises in the budget.

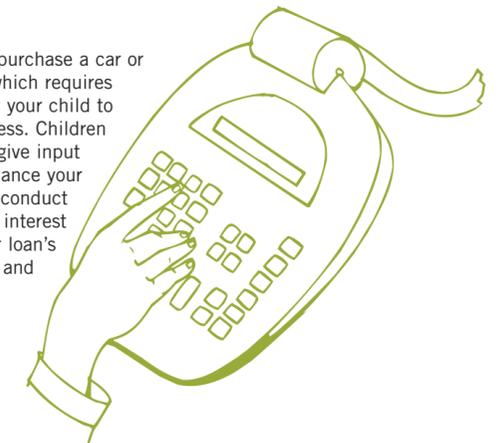
Expenses in your child's budget may include:

- Transportation (car payment, gas, bus fare, car insurance)
- Clothing
- Snacks/meals out
- Entertainment (dates, movies, soccer games, arcade)
- School supplies
- Cell phone
- Savings account/college fund
- Charity
- Extras (field trips, prom, parties, iPod® purchase)

Add or delete from this list as needed. Help your child to be realistic about her or his monthly expenses. A good starting point is to keep a spending journal for a month: write down every penny spent and on what. This will make your child's budget more realistic and force your child to be more aware of his or her spending habits.

Big-Ticket Purchase:

If you are planning to purchase a car or other expensive item which requires buying on credit, allow your child to participate in the process. Children can observe and even give input on possible ways to finance your dream. Your child can conduct research, compute the interest rate, read the item's or loan's “fine print” for details and discuss which options would be the best financial choice.



Financial Literacy Vocabulary

Can you match the definition to the right word?

WORD	DEFINITION
1. Budget	A. A card by which the bank authorizes an amount of purchasing power to be placed at a person's disposal which usually includes an interest fee
2. Tax	B. A fee for borrowed money; usually a percentage of the amount borrowed
3. Debit card	C. The fee charged to sell an item on credit
4. Credit card	D. The total amount of money allocated for a specific purpose
5. Interest rate	E. A charge usually of money imposed by authority on persons or property for public purposes
6. Finance charge	F. A card by which money can be withdrawn or the cost of the purchase is paid directly from the person's bank account without payment of interest

Answers: 1D, 2E, 3F, 4A, 5B, 6C