

RAISING FINANCIALLY AWARE KIDS

PRESENTED BY KM PARENT RESOURCE NETWORK

PRESENTERS:

CINDY BLUE

MAGGIE SPADA, CFP®

DAVID RETKOWSKI

NOVEMBER 2014



WHY ARE WE HERE?

- Background: PRN Survey Comments

Our primary desire is to provide a high level overview giving you family talking points that span multiple age groups.

- Tonights Topics:

- Money Values at Home
- Allowance: To Give or Not To Give
- Teaching Kids About:
 - Budgeting
 - Disposable Income (Buying Decisions)
 - Saving
 - Giving
- School Lessons



MONEY VALUES

- Your values -- these are what your kids are absorbing
 - Is money one of the means to happiness?
 - “If only we had enough of it, life would be perfect.”
OR “The love of money is the root of all evil.”
- Role Model -- unspoken messages you might be delivering
 - Your children are learning from you as you make purchases at the grocery store, how you handle bill payment...



ALLOWANCE: TO GIVE OR NOT TO GIVE?

- Think of it as a consistent amount of money you give your children so they can start learning financial responsibility. They can make decisions about saving, budgeting, donations and spending.
- Philosophy: Two extremes
 - Given unconditionally, without regard to chores being done, good grades being earned, or good behavior.
 - Payment for work done. If using this, clear expectations of what work needs to be done and at what quality (similar to a work environment later in life).
 - Happy medium exists as well.



ALLOWANCE: YOUR PHILOSOPHY

- Questions to ask to help decide your philosophy:
 - Do you want to show your children they must work to earn money?
 - Do you feel family chores should be performed without expectations of money?
 - Are you comfortable providing an allowance and expecting nothing in return?
 - Would allowances for your children fit into the family budget?



ALLOWANCE: CONSIDERATIONS

○ Common questions:

- When?
 - Can they understand the value of coins and paper money?
 - Can they count small sums?
 - Can they keep it safe? (piggy bank or wallet)
- How much?
 - Consider age, whether it's tied to chores, and what they are to use it for.
 - Are they going to be responsible to now pay for snacks? books? gifts? computer games? movies? school lunch?
 - Are they going to donate? Save?



ALLOWANCE: CONSIDERATIONS

- Common questions:
 - How often?
 - Can it be taken away?
 - Expectations
 - Do you expect a certain amount of allowance to go into long-term savings? Short-term savings?
 - Do you want them to set aside a certain amount for donating?
 - Allowance Reviews
 - Increase only after you've reviewed spending with a child to understand why they need more (and not at the moment they're pestering you).
 - Consider how you will handle advances.



MONEY VALUES: EXAMPLES & TALKING POINTS

- Be thoughtful with purchases -- buying on sale...are you getting a good value for your money
- Wants vs Needs : Help kids understand the need to control their wants. (New shoes because they've outgrown them or because they're the designer style?)
- Short Term Savings: Put aside money every month in your savings account for a family vacation or a planned "splurge" rather than using the credit card.
- Long-Term Savings: Pay yourself first by setting aside investment money before paying monthly bills to secure retirement funds or college education.
- Charitable Causes: How money can be used to help others



BUDGETS: FAMILY AND KIDS

- Don't be afraid to talk about family finances and the budget with kids.
 - For older kids, even consider having them "pay" the bills one month. They don't need to see every detail, but just to understand where the money goes every month.
- Make a budget with each child
 - Include any income they can count on (even including gifts).
 - What do they need to pay for?
 - What should they plan for? (Birthday gifts for their siblings for example)
 - Remember to do the saving FIRST.



BUDGET: SETTING GOALS & REVIEW

○ Setting Goals

- Saving for something special, regularly saving or donating a certain percentage of their money
- Curb impulse buying

○ Budget Review

- Review (with them) their actual spending after a period of time
- Shows them areas that need change or more thought
- Inspires them to think of ways to increase income or decrease spending



BUYING DECISIONS

- Questions to teach your kids to think about
 - Do you *need* it, or *want* it?
 - Do you have to buy it *today*?
 - Do you have the money to make this purchase?
 - What are you willing to give up if you spend your savings on this? (What else could you get instead?)
 - How many hours or jobs will you need to work to pay for this purchase?
 - Have you shopped around for the best selection, price, quality? Will it be going on sale in the near future?
 - Are there alternatives, like borrowing, renting, or buying second hand?



SAVING

- Why?
 - To Buy Stuff : Big stuff.
 - To do things NOW! ("everyone" is going to the amusement park but this week's allowance was spent a long time ago.)
- Sample Plan:
 - 10% Donation;
 - 20% Short term savings;
 - 20% Long term savings;
 - 50% Disposable (Yours to spend as you please)
- Investing
 - Compounding interest: Show your kids the power of saving early.



INVEST EARLY

AGE	BEN INVESTS:		ARTHUR INVESTS:	
19	2,000	2,240	0	0
20	2,000	4,749	0	0
21	2,000	7,558	0	0
22	2,000	10,706	0	0
23	2,000	14,230	0	0
24	2,000	18,178	0	0
25	2,000	22,599	0	0
26	2,000	27,551	0	0
27	0	30,857	2,000	2,240
28	0	34,560	2,000	4,749
29	0	38,708	2,000	7,558
30	0	43,352	2,000	10,706
31	0	48,554	2,000	14,230
32	0	54,381	2,000	18,178
33	0	60,907	2,000	22,599
34	0	68,216	2,000	27,551
35	0	76,802	2,000	33,097
36	0	85,570	2,000	39,309
37	0	95,383	2,000	46,266
38	0	107,339	2,000	54,058
39	0	120,220	2,000	62,785
40	0	134,646	2,000	72,559
41	0	150,804	2,000	83,506
42	0	168,900	2,000	95,767
43	0	189,168	2,000	109,499
44	0	211,869	2,000	124,879
45	0	237,293	2,000	142,104
46	0	265,768	2,000	161,396
47	0	297,660	2,000	183,004
48	0	333,379	2,000	207,204
49	0	373,385	2,000	234,308
50	0	418,191	2,000	264,665
51	0	468,374	2,000	298,665
52	0	524,579	2,000	336,745
53	0	587,528	2,000	379,394
54	0	658,032	2,000	427,161

Make sure your kids know the importance of saving while they're young!

- Ben invested \$2,000 per year from age 19 to 26 and then never again, for a total investment of \$16,000
- Arthur invests \$2,000 per year from age 27 through 65 for a total of \$78,000 invested
- Ben nets 50% more at age 65 (\$750,000)!!

53	0	587,528	2,000	379,394
54	0	658,032	2,000	427,161
55	0	736,995	2,000	480,660
56	0	825,435	2,000	540,579
57	0	924,487	2,000	607,688
58	0	1,035,425	2,000	682,851
59	0	1,159,676	2,000	767,033
60	0	1,298,837	2,000	861,317
61	0	1,454,698	2,000	966,915
62	0	1,629,261	2,000	1,085,185
63	0	1,824,773	2,000	1,217,647
64	0	2,043,746	2,000	1,366,005
65	0	\$2,288,996	2,000	\$1,532,166

GIVING

- To instill the habit at an early age some parents require 10% of their money to be set aside for giving.
- Let the kids decide whom to give to. It may be a cause or charity they have an interest in.
- Giving of time and material possessions works too.
 - Consider volunteer opportunities if appropriate, or donating books or toys to others who might need them.
- Family fund example.



FINANCES FOR OLDER KIDS

- Net Pay vs Gross Pay: Prepare them for the gap they will experience in their first paycheck.
- Checkbooks & Balances
- Credit Cards (and Debit Cards)
 - Only use the credit card as a convenience or in case of an emergency when cash is not readily at hand.
 - The card is NOT a loan device to buy something you can't afford. Before using a credit card, always make sure there is money available to pay for your purchase.
 - Pay off the balance on time each month to avoid finance charges and late fees.
 - Keep it secure!



FINANCES FOR OLDER KIDS

- Roth IRAs
- 529 accounts
- Custodial accounts (UTMA/UGMA)
- Online resources: YNAB, Mint.com, etc
- Practice what you preach

“Somebody is sitting in the shade today because somebody planted a tree a long time ago”

– Warren Buffett



WHAT ARE THEY LEARNING AT SCHOOL?

- Elementary (4th/5th grade)
 - At Magee kids experience Junior Achievement's Biztown
 - Prior to that 20 hours of Junior Achievement lessons with units on:
 - Financial Literacy (Financial services, checking accounts, debit cards, online banking)
 - Community and Economy (circular flow of economic activity, free enterprise, public goods and services)
 - Work Readiness (Interests & Skills, applying for jobs)
 - Business Management (Business costs, setting prices, advertising).



WHAT ARE THEY LEARNING AT SCHOOL?

- Middle School (7th grade)
- Utilize Career Clusters to introduce kids to careers.
 - This minimizes the sheer number of different careers.
 - This approach, in conjunction with our WisCareers program, allows them to develop a framework for how one picks a career.
 - We also participate in a Junior Achievement program that introduces kids to the concept of Entrepreneurship. This is a classroom program that is run by various volunteers from the KM community.
- Once we determine where our money will come from, we focus the majority of our financial literacy work on what happens to it.
 - Budgeting as a tool to track our cash flow, along with strategies to create wealth such as savings and investing.
- Conclude by looking at the influence of marketing and begin to expose the students to some of the schemes and scams, including things like identity theft, that they need to be aware of.



WHAT ARE THEY LEARNING AT SCHOOL?

○ High School

- General Topics Covered:
 - Financial planning
 - Budgeting
 - Banking services
 - Saving and Investing
 - Credit
 - Paying for College
 - Insurance
 - Paychecks and Taxes.
- Working on aligning these to Wisconsin's Model Academic Standards for Financial Literacy.



EXAMPLE LEARNING TARGET FROM WISCONSIN MODEL ACADEMIC STANDARDS FOR FINANCIAL LITERACY

		BY THE END OF GRADE 4 STUDENTS WILL:	BY THE END OF GRADE 8 STUDENTS WILL:	BY THE END OF GRADE 12 STUDENTS WILL:
Core Performance Standard	A. RELATING INCOME AND EDUCATION			
	CONTENT STANDARD <i>Students in Wisconsin will understand the relationship between education, income, career, and desired lifestyle and will develop the planning skills needed to achieve desired financial goals.</i>			
Grade Level Performance Standard	A.1 Understand how career choice, education, skills, entrepreneurship, and economic conditions affect income.	A.1 Understand how career choice, education, skills, entrepreneurship, and economic conditions affect income.	A.1 Understand how career choice, education, skills, entrepreneurship, and economic conditions affect income.	A.1 Understand how career choice, education, skills, entrepreneurship, and economic conditions affect income.
	A.4.1.1 Be aware of how career choices, education choices, and skills affect income.	A.8.1.1 Relate how career choices, education choices, skills, entrepreneurship, and economic conditions affect income.	A.12.1.1 Evaluate and demonstrate how career choices, education choices, skills, entrepreneurship, and economic conditions affect income.	
	A.4.1.2 Recognize the difference between a job and a career.	A.8.1.2 Describe the unique characteristics of both a job and a career.	A.12.1.2 Analyze how personal and cultural values may impact financial decisions.	



WHAT ARE THEY LEARNING AT SCHOOL?

○ High School

• Personal Finance Class Learning Targets

- I can identify strategies to stay on track with a spending plan.
- I can identify the fees associated with banking and compare the services of banks and credit unions.
- I can explain the importance of the Pay Yourself First concept.
- I can analyze the advantages and disadvantages of credit.
- I can develop a plan to manage risk through a variety of life stages.
- I can identify why taxes need to be filed and the consequences for not filing.



My Personal Monthly Budget

Income	
Interest	\$100
Net Monthly Pay	\$2,800
Total Income	\$2,900
Expenses	
Fixed Expenses	
Student Loan	\$150
Rent (Apartment in Delafield)(1 roommate)	\$400
Utilites	\$90
Land Line Phone	\$ -
Cellphone	\$45
TV and Internet (bundeled)	\$65
Home Loan	\$150
Used Car	\$190
Auto Insurance	\$100
Renters Insurance	\$35
Health Insurance	\$150
Total Fixed Expenses	\$1,375
Variable Expenses	
Gas	\$500
Groceries	\$400
Eating Out	\$30
Entertainment	\$20
Pet (cat)	\$20
Personal Needs	\$100
Clothes	\$60
Other	\$40
Total Var. Expenses	\$1,170
Savings Account	\$355
Total Expense and Cash Surplus	\$2,900



WHAT ARE THEY LEARNING AT SCHOOL?

○ High School Juniors

• Laser Life

- “This is an extraordinary financial simulation exercise that all junior students participate in during the spring.
- Parents, grandparents, business and community members join together to recreate “life” and teach the responsibility of balancing jobs, transportation, housing, family and finances.
- This is as much fun for the volunteers as it is for the kids...if only to hear them exclaim...*“I need to have insurance? What’s up with that?!”*
- bardone@kmsd.edu if you’re interested in volunteering



IT'S A LEARNING PROCESS

- Communicate when you shop, pay bills, etc.
 - They will be absorbing and appreciate being included.
- Start early. Even if they can't count money, they can understand trading, sharing and giving.
- Stay involved. Give advice when warranted. Keep asking questions to remind them what to think about.
- Let them experience it -- by letting them buy their own snack or toy.
- Know that they will make mistakes.
 - They will make some foolish decisions. Help them solve problems -- when they ask, and be there for support (not always bailing them out).



WRAPPING UP TONIGHT

- High level overview spanning multiple age ranges
- Financial Aid/College Planning: Attend the *Financial Aid Program, Monday, December 6, 6:30 PM KM Auditorium*
- List of resources
- Are you looking for more? We want to know!



QUESTIONS?



RESOURCES

- *"Yes, You Can! Raise Financially Aware Kids"*, by Jack Jonathan, 2002
- *"Financial Peace University"*, www.daveramsey.com
- *"Financial Fitness For Life" Parent Guide* available on Mr. Behnke's website via kmsd.edu
- *"Framework for 21st Century Learning"* shows how Life and Career Skills (the middle school class) fits into the district's vision for 21st Century Skills for our students. Available on Mr. Behnke's website via kmsd.edu
- *"Wisconsin's Model Academic Standards for Personal Financial Literacy"*
<http://standards.dpi.wi.gov/sites/default/files/imce/standards/pdf/pfl.pdf>
- Other Resources Available
 - <http://streettalklive.com/daily-x-change/1515-10-immutable-laws-of-money.html>
 - <http://www.parentfurther.com/webinars/kids-and-money>
 - <http://www.parentfurther.com/parenting/money/teaching-kids-money-management>
 - <http://www.practicalmoneyskills.com/>
 - <https://www.bettermoneyhabits.com/khan-academy-partnership.html>
 - <https://www.khanacademy.org/economics-finance-domain/core-finance>
 - <http://www.practicalmoneyskills.com/games/trainingcamp/>
- College/Financial Aid
 - *Kettle Moraine Financial Aid Program, Monday, December 1, 6:30 PM KM Auditorium*
 - *Journey Through Financial Aid: The University of Wisconsin System*
<https://www.youtube.com/watch?v=8BGLLD6fRiM>
 - <http://www.cashcourse.org/>

