



LESSONS



# **Lessons to Teach Key Financial Concepts of the Family Chore Project for 11-15-year-olds**

## Lessons in Budgeting

- Explain that a budget includes money coming in and money going out. The money coming in is your gross income. The money going out includes expenses as well as savings. A budget helps your child see how much money goes toward expenses each week and each month. Your expenses or needs must be paid before you can spend money on things you want.
- Your child can start to look at his/her expenses (needs), wants, and savings on a pie chart. This is a good visual representation that shows how much of total income is used for different things.

### Needs and Expenses

- What are your expenses? Talk about how the household expenses pay for the needs of the family, including your child. Explain to your child that all the things he/she has and want cost money; and for all of his/her life, you have been paying for those things using the money you have worked hard to earn.



- Expenses include things like electricity and heat. You may want to show your child an electric bill and explain that you pay it every month. If the electricity bill is not paid, then the electric company can turn off the electricity. You can even discuss how some expenses change depending how much you use it, while other expenses have a set cost each month. You can use this time to make a list of all the shared expenses for the household. You want your child to see that as a contributing member, he/she will pay either a fixed amount or a fixed percent of his/her chore income to help pay for joint expenses. For example: phone, internet, electricity, heat/oil, rent/mortgage.
- Make a list of variable expenses with your child. You do not need to attach a number or cost, but work together to think of other expenses that people have each week/month/year. For example: groceries, personal items, gas, cars, insurance, eating out, paying for sports teams or dance practice. You do not need to include all variable expenses in the budget, but it is good experience to show your child how much the family spends on needs.
- Get playful! Experiment with small budgeting.
  - Experiment:
    - ♦ Put together a grocery budget and allow the child to shop within the budget that week (with supervision at first). Make a game of going grocery shopping the next week and trying to “beat the budget.”
    - ♦ Be sure to discuss what items the child should buy first and the choices he/she might make to stay under budget.
  - Create a budget for a weekend trip. Have your child do some research about staying in a hotel for one night and visiting somewhere for a weekend. List expenses, needs, and wants. Make comparisons of places to stay or eat. Suggest ways to stay under budget or provide two different budget limits. Don’t forget to remind your child that he/she needs food, sleep, transportation, and shelter. Doing this research can be eye-opening to what things cost.
- Give real life examples of how you budget (example = planning a vacation).
  - How much money will you put aside for a family vacation?
  - Where will you go? Choices? How much will each choice cost?
  - Will you have enough money to go this year, or will you maybe wait two years?
  - Will you create an account specifically to save for a vacation?
  - Can you think of ways to save on housing, transportation, or food?
  - What happens if you have unexpected expenses one month? How can you make sure you have the money to meet your timeline?
  - Use SMART guidelines: Specific, Measurable, Achievable, Relevant, and Time-bound. Write the goal down and calculate the amount you need to save each week, month, or even year.

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- Model how you think through purchasing decisions. When you're shopping (in person and online), speak aloud the thoughts you have related to spending and saving.
  - Examples:
    - ♦ Look, these apples are on sale. I was going to buy pears, but I can get the apples for less.
    - ♦ Did you see the unit price for this large box of cereal? If I buy this box, it will cost less per ounce and the bigger box means it will last longer.
    - ♦ Next week these cans of soup are on sale, I think we can wait and buy them later.
    - ♦ This store has free shipping if you buy online. The same shirt on that other site charges \$7.95 for shipping.
    - ♦ I can't decide between these two pairs of shoes. I like them both, but I don't really need another pair of sneakers. Maybe I'll wait until I see what I really want.
    - ♦ The large bottle of juice costs less than the pack of juice boxes. We should just buy the bottle to drink at home.
    - ♦ The snack packs of goldfish are nice to pack for lunch, but it would cost less to buy the larger bag and just put them in plastic baggies if we need to.
    - ♦ That video game was at the library. Maybe you should try it out first before you buy it.

### Wants

- Explain to your child that everyone has needs and everyone has wants. Your wants and needs will change over time, but it is a good idea to have a plan and understand how much things cost and influences on what you want.
  - Have a conversation about advertising and marketing and look for influences around you.
  - Think about why you might want something. Sometimes you may know why, but thinking about it and talking about it can help you decide whether you really do want it.
  - Discuss the idea of wanting something small or inexpensive. What happens if you spend money without keeping track? Even if something has a small cost, buying a bunch of inexpensive wants can add up over time.
- Have a discussion about spending goals. Remind your child about how to create SMART goals.
  - ♦ What exactly do you want? Be 'Specific.'
  - ♦ How much does it cost? Can you find the best price? Will the price change? Make it a 'Measurable' goal.
  - ♦ Can you reach the goal? Is it 'Achievable' and within reach?
  - ♦ Why do you want this item? What makes it important to you? Thinking of these factors will make the goal 'Relevant.'

- ♦ What are your steps and what is your 'Timeline'? Do you need it by a certain time?
- ♦ Is this goal considered a want or a need? Why?
  - ♦ Should I establish more than one savings account, or have a special account for a specific want?
  - ♦ Look at a calendar and have your child come up with reasonable amounts for goals in the next year, based on the current chore income.
- Introduce the term debt.
  - What is debt? Have your child come up with a definition. Talk about debt and what it means.
  - How do credit cards work? Work through a scenario with your child about spending \$150 on a credit card. When the bill comes, what if you can't pay the \$150 back? Let's say you don't pay anything (not even the minimum payment). The credit card company will charge 20% or more on that \$150. What is 20% of 150? You can show how to calculate percent on a calculator or with fractions. 20% means 20 out of 100. That means  $20/100$  or  $.20$ . So what is  $.20 \times 150$ ? Or you can say what is  $20/100 \times 150$ ? Another way to find 20% is to find 10% of a number by sliding the decimal point one place to the left and then doubling it. If 10% of 150 is 15, then 20% of 150 is 30. This means that the credit card company is basically charging you another \$30 because you did not pay the bill. That now means that whatever you bought for \$150 is now costing you \$180! People use credit cards because they may not have the cash with them at the time. But be careful – if you don't pay off the credit card, you end up spending more – a lot more. Credit cards are useful, but make sure you can pay it off when the bill comes. Credit card debt can affect many people. More than 40% or almost half of the US population has credit card debt.
  - Is all debt bad?
    - ♦ College loans and mortgages aren't "negative." Loans for college allow graduates to get a degree that helps that person get a job and then earn more money to pay off the loan over time.
    - ♦ Mortgage is a loan for your house. It is debt because you have not paid off the cost of the house, but every time you make a mortgage payment you are getting closer to owning the house. Over time, paying the mortgage will ultimately lead to paying off the house.
    - ♦ Debt means you owe money. There may be times when you have to take out a loan, but you need to be aware and be ready to pay it back.
    - ♦ By budgeting over time, you can reduce the need for borrowing money.



## Lessons in Saving

- Explain to your child the importance of practicing saving early in life because, after lots of practice, it will become a habit that will serve him/her long into the future. Saving will allow him/her to have options for what and where to get an education, where and how to live, etc.
- Explain that if your child chooses to save money in an account that earns interest, that money can increase and grow over time even when he/she does not add money into the account. Interest accumulates; and the earlier your child starts saving with interest, the more interest she/he can earn.
  - Share anecdotes from your own life about how you chose not to do some really fun things or buy certain things in the short term so you could save for a long-term goal.
    - ♦ Example: I chose to pack a lunch for work instead of buying lunch out. The money I saved over the year actually helped us buy a larger car for our family.
  - Create a timeline or use a calendar to map out goals. Consider drawing a visual thermometer to help your child make sense of time, goals, etc.
  - Draw a spectrum that shows percentages of saving versus spending. For example, at one end, if you save 0, you spend 100%. If you save 10%, you spend 90%. Show every 10% increment and map out where you and your child stand on the spending/saving spectrum. Discuss which spots on the spectrum are the best areas to be.



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- Share books and movies about financial literacy, saving, or money.
  - Examples:
    - ♦ How to Turn \$100 into \$1,000,000: Earn! Save! Invest by James McKenna & Jeannine Glista
    - ♦ Lunch Money by Andrew Clements
    - ♦ The Toothpaste Millionaire by Jean Merrill
    - ♦ The Lemonade War – series by Jacqueline Davies
    - ♦ Better Than a Lemonade Stand! by Daryl Bernstein
    - ♦ Movie : BIG (PG)
    - ♦ Movie : Moneyball (PG-13)
    - ♦ See all kids' & teen financial literacy resources at <https://www.financialeducatorsCouncil.org/kids-financial-literacy-products/>
- Talk about how impulse buying affects savings. Ask your child to find ways stores encourage impulse buying. Discuss times when you have bought on impulse and/or whether your child has. What are some ways to prevent it?
- Stress the importance of record-keeping to help keep track of everything. Money is valuable and even small amounts can add up. Explain that if your child does not keep good records, he/she may miss some important ways to save, and might even lose money.
- Provide ways to check and double-check receipts and transactions. For example, tell your child to check the receipt, count his/her change, and estimate the cost of items before going to the cash register at the store.



## Lessons in Advertising

- Count ads during a video and watch commercials. Search on Google. Make observations. What are you noticing? What are you thinking? What are you feeling? Spotting and understanding advertisements is a key life skill for kids. After all, advertisements are meant to persuade the viewer to purchase. Discussing with your child that he/she shouldn't believe everything he/she sees or hears is important!
- Discuss smart marketing. Can you find a way that a product was marketed well? Maybe a catalog is eye-catching, maybe a product is on display at the store. Explain that some stores place higher-priced items at eye level and lower-priced items lower on the shelf. Look for this at the grocery store. Look at coupons. Coupons can help save money, but can some ads or deals encourage people to buy more? Find examples in supermarket flyers.





- Help your child reflect on recent purchases, set goals for things to buy with his/her short-term savings, and consider why he/she wants these things. Ask questions to prompt thinking, like the following:
  - Do you want this because you saw it advertised?
    - ♦ Where did you see it advertised?
    - ♦ Who is in the advertisement? How does that affect the way you think or feel?
    - ♦ What about the marketing made you want to buy it?
      - ♦ What advertising techniques were used?
        - Did this appeal to your ethics or values? This advertising technique is called Ethos!
        - Did the advertisement stir up an emotion? How did it make you feel? If so, it's called Pathos!
        - Did you learn something involving logic or facts from the advertisement? That's a technique called Logos!
    - ♦ Do you think everything you saw in the advertisement is true? Did the advertisement tell you everything about the product?
  - Is it a healthy choice?
    - ♦ Physically – Does it help your body in some way?
    - ♦ Mentally – Will it help your mind?
  - Is it something you will use often and/or enjoy for a long time?
    - ♦ Is this a trend or fad?
    - ♦ What is the shelf life or estimated duration of use?
  - Is it something that can be done as a shared activity with family or friends?