



Theme 2: Spend

Topic Connections: Connects with *Money Smart* curriculum in the classroom: Lesson 3 (Financial Goals), Lesson 4 (Smart Shopping), Lesson 5 (Cash Flow and Budgeting), and Lesson 12 (Spend, Save, or Give?).

Topic Overview:

Young people are consumers. They are influenced by advertisers and their peers to spend money on things that they need and want. At this age, children often still don't have much of a grasp of the value of money. Adolescence is the time to help kids take some financial responsibility. Explain the tactics advertisers use, budget money together, and allow your child some leeway to make spending mistakes and learn from them.

From the classroom:

What is an opportunity cost? An opportunity cost is the value of possible alternatives that a person gives up when making one choice instead of another; also known as a "trade-off." For example, if someone chooses to purchase an expensive new outfit at the store, he or she is missing out on the opportunity to purchase a couple of less expensive outfits. On the one hand, that person could have a fancy outfit to wear to job interviews; on the other hand, he or she could have a few nice outfits for going to job interviews and work on a daily basis.

How do I navigate the marketplace to be a smart shopper? There are several strategies that smart shoppers use to navigate the marketplace. Some of these strategies include (but are not limited to): evaluating their needs and wants before making a purchase, understanding advertising tactics, evaluating the use of a planned purchase, weighing opportunity costs, understanding the value of an item relative to its costs, reevaluating financial goals, and creating a budget.

What is a budget? A budget is either 1) A spending plan, or 2) A record of projected and actual income and expenses over a period. Budgets can be short-term or long-term. They can be done with a specific goal in mind, or they can be done simply as a method of tracking finances from month to month.

What financial goals are most important? Financial goals will vary from person to person and situation to situation. When developing financial goals, a person should weigh his or her financial values. What values do you hold most dear when it comes to spending money: education, travel, family, or something else? A person should also evaluate his or her needs and wants. Are all needs met prior to considering setting a goal for a want? How important is it to attain that want? How can you make a plan to attain that want?

How can you reach financial goals? There are several strategies to reach financial goals. Creating a budget and limiting spending are great ways to set yourself on the course to attaining your goal. Evaluating your cash flow (income and expenses) can also help you determine whether your goal is realistic or you need to revisit your budget.

Words To Know:

Budget: A plan that outlines what money you expect to earn or receive (your income) and how you will save it or spend it (your expenses) for a given period of time.

Cash Flow: Income and expenses over a given period of time.

Need: Something you must have to survive, such as clothes, shelter, or food.

Opportunity Cost: The next best thing that you give up in order to do something else; a trade-off of a decision you make.

Want: Something that you would like to have but that you could live without, such as a TV or tickets to a baseball game.

Conversation Starters ... Ask Your Teen:

- How do you like to spend money?
- What shopping strategies have you learned that help you protect yourself and save money?
- How do you prioritize your spending? How do you choose what you will buy and what you won't buy or what you'll save for later?
- If you want something, but you can't afford it yet, what do you do?

Try This ...

At Home:

Advertising Awareness, Part 1: Young people are easily swayed by advertisements. Watch some TV advertisements and/or view some magazine or newspaper advertisements. Discuss the tactics that the advertisements use to persuade consumers to buy. Then, discuss needs and wants and how personal financial goals fit into being a smart shopper.

Building a Budget: Create a budget to help your child meet a short- or long-term financial goal. For example, if your child asks you every year about buying the latest sneakers, discuss creating a budget ahead of time and build the budget so that your child can eventually purchase the sneakers on his or her own.

Cleaning Conversation: Cleaning up around the house? While you and your child clean up, take the time to talk about the items you plan to throw away or give away. Discuss needs versus wants and whether you would choose to purchase this item if you had the choice to make the purchase decision over.

Guess the Cost: Our children often do not have a realistic understanding of the value of things. Ask your child to try to guess the cost of items around the house. Discuss the value of household items, the cost of maintenance, and the decisions you made to purchase these items.

Purchase Power, Part 1: Are you in the midst of making a major purchasing decision, like buying a car, a home, a TV, or a computer? Explain your decision making process to your child. Think aloud as you consider what qualities you look for in a product, comparing prices, and your spending strategy.

Around Town:

Advertising Awareness, Part 2: Point out ways in which stores try to convince consumers to spend more money – from “Buy One, Get One” advertisements, to the placement and color of products. Then, discuss strategies for overcoming those persuasive techniques.

Opportunity Cost in the Real World: As you shop together, discuss the concept of “opportunity cost,” or the idea that when you purchase one thing, you are missing out on the “opportunity” of something else. For example, if you choose to purchase an expensive new outfit at the store, you are missing out on the opportunity to purchase a couple of less expensive outfits.

Purchase Power, Part 2: Are you out with your child, buying something for him or her? Give the money to your child and coach him or her through good spending habits. In the end, allow your child to make the spending decision.

Resources:

Articles:

- *Model Smart Money Habits* by The Mint: Helping kids understand smart habits for spending.
www.themint.org/parents/model-money-smart-habits.html
- *The Cost of Living* by The Mint: Understanding the costs of living, including regular costs and unexpected costs.
www.themint.org/parents/the_cost_of_living.html
- *Kids and Giving* by Parent Further: Advice for teaching kids about being charitable with their money.
www.parentfurther.com/parenting/money/recession-parenting

Online Tools:

- *Online Budgeting Tool* by Mint: www.mint.com/t/hzpc/

Games/Apps:

- Admongo: Dissect advertisements and recognize the techniques advertisers use to sell products.
www.admongo.gov/
- You Are Here: Where Kids Learn to Be Smarter Consumers: Play consumer-oriented games, design advertisements, and learn to protect yourself and your finances.
www.consumer.ftc.gov/sites/default/files/games/off-site/youarehere/index.html