

FEDERAL DEPOSIT INSURANCE CORPORATION  
money smart **basics**

FOR

**Kids**



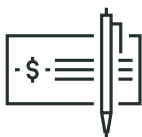


## Table of Contents

|   |    |
|---|----|
| <b>Teaching Guide</b>                         | 3  |
| <b>Chapter 1:</b> What Is a Bank?             | 5  |
| <b>Chapter 2:</b> Goals and Saving            | 7  |
| <b>Chapter 3:</b> Budgeting and Shopping      | 9  |
| <b>Chapter 4:</b> Sharing as Part of the Plan | 11 |
| <b>Chapter 5:</b> Compound Interest           | 13 |
| <b>Chapter 6:</b> Careers and Pay             | 15 |
| <b>Chapter 7:</b> Loans and Credit            | 17 |
| <b>Chapter 8:</b> Small Business              | 19 |
| <b>Chapter 9:</b> Money and Banking Overview  | 22 |



PHOTO: GETTY IMAGES



## Money Smart News for Kids Teacher Guide

Helping children learn about money and financial matters will set them up for better financial health as they become adults. Learning about what banks do, why they are important, and how the FDIC keeps their money safe will help them build trust and confidence in the nation's financial system.

This packet includes nine chapters to introduce basic banking terms to children in grades 3-5, who are perhaps just beginning to learn about finances. Each chapter builds upon the next, so it is important to go through them in order. The chapters introduce two characters for students to relate to, Isabella and Noah, who try out these different concepts along the way. The topics include:

### **Chapter 1: What Is a Bank?**

Why should I keep my money there?

### **Chapter 2: Goals and Saving**

Why are they important?

### **Chapter 3: Budgeting and Shopping**

How can I spend wisely?

### **Chapter 4: Sharing as Part of the Plan**

Can my savings goal help my community too?

### **Chapter 5: Compound Interest**

What is it and how does it work?

### **Chapter 6: Careers and Pay**

How can I earn money?

### **Chapter 7: Loans and Credit**

When should I borrow money?

### **Chapter 8: Small Business**

Can I work for myself?

### **Chapter 9: Money and Banking Overview**

What did I learn?

We have provided some activities and ideas to engage with students in this age group and encourage a conversation about money and banking to help them build healthy financial habits and awareness.

*see the next page*

---

from the previous page

Each chapter of Money Smart News for Kids asked questions that will help start conversations about money. You may want to start with those or expand on those questions. For other ideas on money conversations, you might find the following useful:

- Share a picture of the FDIC logo, which should be visible in the bank or on the website to show it is insured. The FDIC promotes public confidence by insuring deposits in banks for at least \$250,000.



- Play a game and see how many FDIC signs you can spot inside the bank.
- Talk about different accounts. You might show them examples of blank checks, deposit slips, and an ATM or debit card. Explain that just because checks and cards are available, it doesn't mean that money is available to spend.
- Discuss some things you may be saving for and how long you think it will take to save enough to buy them.
- Go on a field trip to your local bank and help them set up a savings account of their own.
- Make a game of saving. Come up with creative ways to save money like planting a garden for vegetables or reusing items like zip lock bags. Give out prizes like the Goofiest Way to Save or the Best Saver Ever.
- Using the grocery advertisements and a set amount of money, go on a shopping scavenger hunt. See what kinds of meals you can make for a set amount of money for a week.
- Name That Job or Career: Play a game to see how many different jobs or careers the students can name based on people and places you describe.
- Have the child choose five to ten careers that interest them in your local area. Have them research the education requirements and salary earning potential for each career.
- Set up a Business Idea suggestion box.



For detailed lesson plans, teachers' guides, and activities on money and banking, visit: [FDIC Money Smart for Young People](https://fdic.gov/resources/consumers/money-smart/teach-money-smart/money-smart-for-young-people/index.html). (fdic.gov/resources/consumers/money-smart/teach-money-smart/money-smart-for-young-people/index.html) For more activities, check out the Consumer Financial Protection Bureau: [Comparing Places to Save Money](https://consumerfinance.gov/consumer-tools/educator-tools/youth-financial-education/teach/activities/comparing-places-save-money). (consumerfinance.gov/consumer-tools/educator-tools/youth-financial-education/teach/activities/comparing-places-save-money)

If you prefer to start your discussions about money and savings by reading with your child, you can visit the following websites for books that will spark discussions:

- [Consumer Financial Protection Bureau Money As You Grow Bookshelf](https://consumerfinance.gov/consumer-tools/money-as-you-grow/bookshelf) (consumerfinance.gov/consumer-tools/money-as-you-grow/bookshelf)
- [St. Louis Federal Reserve Econ Ed for Elementary Schools](https://stlouisfed.org/education) (stlouisfed.org/education)
- [Philadelphia Federal Reserve Lesson Plans](https://philadelphiafed.org/education/lesson-plans) (philadelphiafed.org/education/lesson-plans)

# FOR **Kids**



PHOTO: GETTY IMAGES

## CHAPTER 1

# What Is a Bank?

*Why should I save money in a bank?*

**A bank is a business that accepts deposits and makes loans.** When your money is in an FDIC-insured bank, you don't have to worry about it being lost or stolen; it will be safe until you are ready to use it.

When you put your money in a bank, it is called a deposit. Usually, money is deposited in either a savings account or a checking account.

A savings account allows you to deposit your money to save for specific reasons, like a new bike, or for things you may want in the future, like a college education. Think of your savings account as a place to store money so you can make it grow by adding to it a little at a time.

On the other hand, a checking account is generally used for everyday purchases, like groceries or lunch. You can withdraw the money in a checking account using a check, debit card, or automated teller machine (ATM) card. You probably have seen ATMs at the grocery store or outside a bank. When you write a check or use a debit or ATM card, the money is subtracted from your checking account. You will need to use your math skills to know how much money you have left after each time you take money out of your account.

### WHY SHOULD I SAVE MONEY?

It is important to save money for many reasons. Sometimes you want to buy something, like that new bike mentioned earlier, and you do not have all the money now. So, you want to save until you have enough. For example, you might want to save your allowance, your birthday money, or money you earn from doing jobs until you have enough to buy it.

Adults try to save money for emergencies. What if the car breaks down or needs a new tire? What if the refrigerator stops working? These are things we use every day and they need to be fixed or replaced right away. Having some extra money set aside really helps when these things happen.

### WHY IS IT IMPORTANT TO SAVE MONEY IN A BANK?

When you put your money in a bank, it is safe. You don't have to worry about a fire or a flood destroying your money. You also don't have to worry about misplacing your money or anyone taking it if it is safely kept in the bank.



---

*see the next page*

---

from the previous page

Another reason you want to save money in a bank is the Federal Deposit Insurance Corporation (FDIC). The FDIC is an insurance company and its biggest job is to protect the savings of millions of Americans in banks across the country.

Since the FDIC was established in 1933, no depositor has lost a penny of FDIC-insured money.

Not all banks are protected by the FDIC, though. When you choose a bank for your

money, make sure that it is FDIC insured. FDIC-insured banks are important places to keep your money. They protect your money and they can help you make it grow.

## Student Questions

What is a bank?

What is a deposit?

What is a savings account?

What is a checking account?

What can you use to get money from your checking account?

Give three reasons why you would put money in an FDIC-insured savings account.

1.
2.
3.

# FOR **Kids**



PHOTO: GETTY IMAGES

## CHAPTER 2

# Goals and Saving

## *Why they are important?*

**Goals are things you want to achieve or accomplish.** They can be short-term, like by the end of the month, or long-term, like by the time you are old enough to drive. When you set a goal, think about what is most important to you to stay on track. Savings goals work the same way. When you want to buy something, but don't have the money right away, you can set a goal to help you save the amount you need.

### **HOW DO I SET A SAVINGS GOAL?**

A savings goal should include what you want to buy, how much you need to save, when you need to have it by, and how you plan to save. Savings goals, like other goals, can be short-term or long-term. To achieve your savings goal, you may have to decide not to spend your money on other things along the way.

Having a savings goal helps you plan for the things you want. If you don't have anything specific in mind right now, you can still set a savings goal to help you have the money when you do.

Let's look at some examples.

Isabella, a fourth grader, loves to play basketball. She is on a team that plays once a week. She wants to go to basketball camp next summer, but her parents said she had to earn the money to go. Isabella's goal is to save \$100 by next summer. Isabella has a plan to rake leaves this fall

and shovel sidewalks in the winter for the people in her neighborhood to earn the money. She has nine months, so she needs to earn about \$23 a month to reach her savings goal. With her parents' permission, she starts to let her neighbors know she is ready to work.

Noah, a fifth grader, is interested in music. He would like to buy an electric guitar. He found a deal that includes an amplifier for \$150. Noah got \$25 for his birthday, but still needs \$125 more to buy it. He makes \$25 a week by walking his neighbors' dogs and dog sitting after school and on weekends. If he continues to walk his neighbors' dogs, he will be able to save enough money to buy the guitar and amplifier in just five more weeks.

### **WHAT ARE YOUR SAVINGS GOALS?**

To set a savings goal, start by looking at what you would like to save for, how much you will need, and when you need it by. It really helps to think about what is important to you, so you can set a savings goal that you want to accomplish. Don't forget to keep that hard-earned savings in a bank account so you can keep it safe and watch it grow!

# Student Questions

When I think of things I want to achieve or accomplish, what is one of my goals?

What are some of my short-term goals?

What is one of my long-term goals?

List three things that are important to me.

- 1.
- 2.
- 3.

List the things I want to save for.



# FOR **Kids**



PHOTO: GETTY IMAGES

## CHAPTER 3

# Budgeting and Shopping

*How can I spend wisely?*

**Having a budget or a plan can help you with your savings goals.** Remember Noah from our last chapter? He was interested in music and wanted to buy an electric guitar and amplifier. He needed to save \$25 a week for five weeks in order to buy it. However, Noah's friends want to go to the movies on the weekend. Noah wants to go with them, but it will cost him \$10. How does Noah budget for both his guitar and a trip to the movies?

### WHAT IS A BUDGET?

A budget is an organized plan that can help you keep track of how much money you earn, how much you spend, and how much you have saved. As we learned in our last chapter, we save and spend money on the things that are important to us, so a budget can help us with our savings goals and setting priorities. A budget can also help us keep track of what we want and what we need.

A need is something you cannot live without like clothes. A want is something you would like to have but can live without, such as a new guitar or movies with your friends.

A budget will help you decide how much money you can afford to spend when you go shopping for both a need and a want. It can also help you determine how much money you have to save for short-term and long-term goals.

A budget typically has three parts: income, expenses, and savings. Income is the money you receive from jobs, allowances, and other sources like chores or birthday gift money. Expenses are the cost of goods and services of the needs or wants you spend your money on. When you subtract expenses from your income, any leftover money can be saved. If you do not have enough income to cover expenses, you need to make choices based on what is important to you and what you can do without.

When Noah started his savings plan, he did not budget for going to the movies with his friends. If he wants to see a movie and have popcorn, he will need \$10 each time he goes. If he goes with his friends this weekend, he will not reach his goal to purchase his guitar in five weeks. Noah should create a budget that includes how often he wants to go to the movies with his friends and how much it will cost as he saves for his guitar.

### HOW CAN COMPARING CHOICES HELP YOU DECIDE WHAT TO BUY?

Comparing choices can help you decide which item is more important to buy or has the best value. You can choose between a need and a want. Let's say you need a new pair of shoes and you have the choice between a pair that costs \$20 and a pair that costs \$100. In order to

*see the next page*

---

from the previous page

stay within your budget, you may have to purchase the \$20 pair of shoes even if you really want the pair that costs \$100. Be sure your purchases fit within your budget.

Learning to budget can help you to be a smart shopper and saver when you are older. Today you may be saving for a guitar like Noah, but in the future, you will have to balance things like rent, transportation,

food, and more. It can also be fun, especially if you budget to grow your savings!

## Student Questions

How can a budget help you?

Give an example of something you need.

What is an example of something you want?

What are some ways you can get income?

What are some expenses that you may have or your family may have?

What happens when your expenses are larger than your income?

FOR

**Kids**

#### CHAPTER 4

## Sharing as Part of the Plan

*Can my savings goal help my community too?*



PHOTO: GETTY IMAGES

**No matter how big or how small, you might consider including a savings goal in your budget to support your community.** By sharing with others, you can create positive impacts right in your own community, and build lasting friendships along the way.

Remember Isabella? She walked dogs and raked leaves so she could go to basketball camp. Isabella really enjoyed everything she learned at camp. She wants to continue to improve her basketball skills. She would like to play with teammates in her neighborhood. However, the park near her does not have a basketball court. After sharing her idea with her parents and neighbors, they decided to help her raise money to put a basketball court in the local park. Isabella plans to donate \$50. She has set a new goal and changed her budget to add this to her savings plan.

#### SETTING NEW GOALS

Your goals and budgets will change as things in your life change. You might earn more money, or have to spend more than you expected. You might also save more or add new savings goals. You can also change your budget to share some of your money, like Isabella.

#### HOW DO YOU PLAN A SHARING GOAL?

You plan for sharing just as you would saving and spending. If you are adding a sharing goal to your saving and spending goal, you might plan how to split it up. Let's say you make \$10 a week. If you spend 50 percent, save 30 percent, and share 20 percent, then each week you could spend \$5, save \$3 for yourself, and save \$2 to share. In five weeks, you would have \$15 in your savings and \$10 to donate to your cause!

Plan for the amount you would like to share, figure out when you would like to donate it by, and set money aside to reach your goal.

#### HOW DOES SHARING MONEY HELP YOUR COMMUNITY?

Isabella's neighborhood now has the basketball court where she can practice every day with her friends, along with her neighbors for years to come. Through good planning, she met her sharing goal, improved her community, and made new friends along the way. Isabella learned how to work with others and became an even better team player. She was very proud of herself.

What would you like to share in your community?

# Student Questions

Why should you include a savings goal in your budget?

Think about your community. What are some places you would like to support, like the homeless, animal shelters, or the elderly?

How could you reach out to others to help with your sharing goal?

How would you set the amount of your sharing goal?

How could your sharing goals make a difference in your community?

# FOR **Kids**



PHOTO: GETTY IMAGES

## CHAPTER 5

# Compound Interest

*What is it and how does it work?*

**You have thought about your budget and you know how much money you have to save, spend, and share.** Now, after you worked for your money, how can your money work for you? Making your money work for you means you use your money to make more money. One way to do that is by earning interest on the money you already have.

### WHAT EXACTLY IS INTEREST?

When you deposit money in a savings account at a bank, the money you deposit is called principal. The money you earn on your principal is called interest. You get to keep the interest. This is money the bank pays you to keep your money with them. Interest is earned after a period of time, like each month. Compound interest is what you earn on your principal after the first month that helps your money grow.

### WHAT IS COMPOUND INTEREST?

You deposited your principal in the bank and earned interest; they are added together to become your new principal. The next time you earn interest, you earn interest on your new principal. Every time you earn interest, it is added to your principal. Earning money on your principal and interest over and over again is compound interest. The longer your money is in a savings account, the more you earn. In addition, different banks offer different interest rates; the higher the interest rate, the faster your money will grow.

Noah saved \$100 from his allowance and birthday money. At the beginning of July, he deposited that money into a savings account at a local FDIC-insured bank. The bank pays 3 percent (3 percent = .03) interest compounded monthly. With only his \$100 deposit and compounding interest, how much will Noah have in his account by the end of the year?

Let's figure it out. Multiply Noah's \$100 principal by 3 percent interest. So,  $\$100 \times .03$  equals \$3 in interest. Add the \$100 and \$3 to get Noah's new principal of \$103. At the end of the July, Noah will have \$103 in his savings account. For August, Noah's principal is \$103. Multiply by 3 percent ( $\$103 \times .03$ ) to figure out his compounding interest, which is \$3.09. Add that to \$103 and his new balance for August with interest is \$106.09.

You can see in the table below that Noah's \$100 deposit from July with 3 percent compounding interest has now earned \$19.41. All he did was leave his money in his account.

The power of compound interest and time is really important as you figure out budgeting, saving, spending, and sharing. Save your money in an FDIC-insured bank and let your money work for you!

*see the next page*

---

from the previous page

| Month     | Principal | Interest | Balance  |
|-----------|-----------|----------|----------|
| July      | \$100.00  | \$3.00   | \$103.00 |
| August    | \$103.00  | \$3.09   | \$106.09 |
| September | \$106.09  | \$3.18   | \$109.27 |
| October   | \$109.27  | \$3.28   | \$112.55 |
| November  | \$112.55  | \$3.38   | \$115.93 |
| December  | \$115.93  | \$3.48   | \$119.41 |

## Student Questions

What is interest?

What is compound interest?

How does compound interest work?

What two things are really important in the power of compound interest?

1.

2.

FOR

## Kids

## CHAPTER 6

## Careers and Pay

*How can I earn money?*

PHOTO: GETTY IMAGES

**Now that you know how to budget to save, spend, and share your income, it is important to think about how you earn money.** Jobs and careers influence the income you make and education plays a big part in many careers. Sometimes the words “career” and “job” are used to mean the same thing, but they are actually different. Let’s see how they fit together.

**WHAT IS A JOB?**

A job is a short-term position that usually focuses on earning money. Remember Noah? He wanted to earn some money to buy an electric guitar so he began walking dogs for the people in his neighborhood. He created a job for himself just to earn money.

**WHAT IS A CAREER?**

A career, on the other hand, is the type of work a person pursues for the majority of their life that may involve formal education, special training, or be within a specific industry. While walking the dogs, Noah met a dog trainer and a veterinarian. While not all dog trainers are doctors, this dog trainer was actually a doctor in animal behavior and she helped train support dogs for veterans. The veterinarian was a surgeon that fixed animals who were sick or wounded. Both of these people and his interest in dogs made Noah want to know more about working with animals. He and his parents were invited to watch the dog trainer work with a couple of dogs. He

and his parents were also invited to watch the veterinarian perform surgery on an abandoned dog. Noah, because of his dog-walking job, is now interested in learning more about careers with animals.

Noah knew that both the dog trainer and the veterinarian were doctors, which meant that each of them had gone to college for at least eight years after high school. When he and his parents visited the dog trainer and the surgeon’s offices, Noah noticed other doctors like the veterinary dentist and the veterinarian who studied eye diseases. He also met employees who were not doctors such as a kennel assistant, a groomer, a veterinarian surgical assistant, and a veterinary nurse. Noah was surprised at how many careers his dog-walking job introduced him to and how some of them required a lot of school while others did not.

Finding a career that interests you can sometimes take years because you need to learn about what is important to you and what you like and dislike doing. Your likes and dislikes may change often over time so it is important to explore all kinds of interests. Right now, Noah is really interested in animals and maybe a career working with them. But, Noah is also interested in music; he may want to explore a career in the music industry, too.

---

*see the next page*

---

from the previous page

**WHY IS A JOB OR CAREER IMPORTANT?**

Job or career choices determine your income, and your income influences the ability to have more choices as you budget, spend, save, and share. Your income can determine where you live, where you work, how you get there, and how you spend your free time.

**WHAT SHOULD I FOCUS ON RIGHT NOW?**

Have fun exploring, reading, and researching any job or career that you might like. Think about problems that you would like to solve and investigate what it would take to solve them. Your interests may change so it is important that you discover all the things that you might like. Your interests may lead you to a job or a career that

doesn't even exist today so be open to all the possibilities you find.

To find a career you will enjoy, take the time to learn about yourself, determine your likes, dislikes, and interests so that you are happy as you save, spend, and share your money.

## Student Questions

Three things I like to do are:

- 1.
- 2.
- 3.

Three careers I am interested in learning more about are:

- 1.
- 2.
- 3.

What are some things I can do to learn more about these careers?



# FOR **Kids**

## CHAPTER 7

# Loans and Credit

### *When should I borrow money?*

**When you want to buy something and don't have the money to pay for it right away, should you borrow the money?**

When you borrow money from another person, like a parent, or a formal lender, like a bank, it is important to think about your ability to repay the money. How much time will you need to repay it? Can you meet your goal in the time you have? What fees will you have to pay to borrow someone else's money? Let's learn a little more.

#### **WHAT IS A LOAN?**

A loan is money that you borrow from a lender for a specific purpose with a promise to pay it back at a later time, with an agreed payment schedule. Getting a loan allows you to enjoy something now while giving you the flexibility to pay for it later. The amount of money you borrow is called principal. The fee for borrowing the money is called interest. The time you take to pay the money back is called the term.

Sometimes borrowed money, loan, and credit mean the same thing, but they can be different. Credit, for example, can refer to your ability to get a loan depending on how you paid back other loans. It is very important you pay your loans back on time. This will help you build a "good credit" record and may help you borrow money again when you need it.

Let's look at an example:

Remember Isabella, the fourth grader who loves to play basketball? Her local

basketball team is hosting a camp for point guard players and has invited the star point guard from the local university to give pointers. The camp is one week away and the cost of the camp is \$100. She wants to go to the basketball camp next week, but she does not have enough money to pay for it herself. Isabella asks her parents if she can borrow it from them and pay it back later.

Isabella sat down with her parents and reviewed her income and expenses. Isabella has savings of \$75 and an income of \$20 a month with no expenses. Isabella and her parents agreed that she had to pay some of the fee herself from her savings. If she uses \$25 of her savings toward the \$100, she will need to borrow \$75 to pay for camp. This will leave her with \$50 still in her savings. Isabella's parents agreed to loan her the rest of the money.

Her parents wanted her to understand the cost of borrowing money so they set up a plan with Isabella to repay the loan of \$75 plus 1 percent interest ( $75 \times .01$ ), a \$.75 fee. The total Isabella will pay back is \$75.75 over a five-month term. Her monthly payments can be figured by dividing the total of \$75.75 by five months. To pay her parents back the loan with interest in the term of five months, Isabella owes her parents \$15.15 each month. She will build good credit with her parents if she stays on track.

*see the next page*



---

from the previous page

**WHAT ARE SOME THINGS TO CONSIDER WHEN THINKING ABOUT A LOAN?**

When you borrow money from any lender, think about your income, expenses, and your ability to repay the loan. Think about the time it will take to pay the loan back and what you might have to give up in order to pay it back. Start small and be sure to

repay your loan on time. By making your loan payments on time, you build trust with the lender, which builds good credit and increases the chances that the lender will consider any future loan requests.

Remember borrowed money is not your money. Both the principal and the interest will have to be paid back on time, so

be careful about the things you buy with a loan. Isabella worked hard and paid back her parents on time. Through her efforts, she built good credit and made it possible for her parents to consider loaning her money again.

## Student Questions

What is a loan?

What is principal?

What is term of the loan?

What is interest?

What are some things you would like to buy if you could borrow money? How would you pay it back?

What are ways you can build good credit?

FOR

**Kids****CHAPTER 8****Small Business***Can I work for myself?*

**We learned that different types of jobs and careers have an impact on your income.** We also talked about careers you might consider that relate to the things you like to do. Some jobs require special education and certifications. One thing to think about is that not all jobs and careers mean working for someone else. Sometimes great ideas and amazing businesses come from entrepreneurs. Maybe that is you.

**WHAT IS AN ENTREPRENEUR?**

An entrepreneur is someone who creates and runs their own business. People who own a successful business can earn a profit, which is their source of income. Let's see what it takes to work for yourself.

Remember Isabella? She organized her neighborhood and raised funds to build a basketball court in her community. The court has been so popular that local coaches have been hosting tournaments there two weekends a month in the summer. Visitors, however, don't have anywhere nearby to buy drinks. Isabella saw an opportunity. She wants to start her own business and sell soda and water during the tournaments. She wants to call her business Bella's.

**BELLA'S BUSINESS PLAN**

What does Isabella need to do to make Bella's a success? Isabella needs a business plan to present to her parents

to get their approval. She may need an adult for help and advice while setting up her business. This plan should include what supplies she will need, the cost of those supplies, and even a marketing plan to advertise her drinks. Isabella plans to ask her friend Noah to help. She knows she will have to pay Noah, too. She will also need to figure out a way to accept payment from her customers and provide change.

**SUPPLIES**

Isabella decides she has a table, a chair, and coolers for the ice to keep her drinks cold, so she doesn't have to buy those. For her first tournament setup, Isabella decided to buy four different kinds of soda, bottled water, and six large bags of ice. The total cost of her supplies will be \$55.10.

**MARKETING PLAN**

Isabella will need to let people know about Bella's and that her refreshments will be for sale at the basketball court. She plans to make a big sign for her table using paper and markers she already has at home. She also plans to create a flyer on her computer and print some out to post in the neighborhood. Isabella plans to contact her coach to email a copy of Bella's flyer to the other team coaches who are planning to attend summer tournaments.

*see the next page*

---

from the previous page

After Isabella presented her plan to her parents, they agreed to let her try it. She has a lot to do if she is going to be ready for the next tournament. Her parents said she needed to make sure she didn't just think about the gross profit, but considered what her net profit would be after expenses.

#### WHAT IS GROSS PROFIT?

Gross profit isn't something yucky; it is the income a business makes in sales. But Isabella won't be able to keep all of her gross profit because she has expenses – the beverages she bought to sell at games. Gross profit minus expenses is the net profit. The net profit is the amount Isabella will earn from her new business.

Isabella plans to charge \$1 for each drink. If she sells them all, she will have total sales of \$176.00, her gross profit. Her supplies cost her \$55.10, which she took from her savings. Isabella needs to pay her savings back for the supplies and Noah \$10 for his help. Isabella's one-day net profit would be \$110.90.

If Isabella has the same expenses for each tournament, she could make a net profit of \$554.50. That is, if she doesn't purchase that tent for \$100 to protect her from the weather. Maybe she will add a line of snacks to boost her income. This is a lot to consider when you run your own business!

Income, jobs, and careers are important, and doing what you enjoy is important, too. Isabella is proud of her business and she enjoys being at the tournaments meeting people who enjoy basketball. When you plan your jobs and career, consider working for yourself and becoming an entrepreneur.

## Student Questions

What is gross profit?

What things did Isabella need to think about when she was planning her business?

What kind of business would you like to own? What things do you need to think about before you can do it?

If you had your own business, what would it be? What would a flyer for your business look like?

---

*see the next page*

from the previous page

| <i>Expenses</i>       |        |             |             |                |
|-----------------------|--------|-------------|-------------|----------------|
| Item                  | Price  | Per Unit    | # Purchased | Cost           |
| Soda                  | \$8.75 | Per case/24 | 4           | \$35.12        |
| Water                 | \$6.99 | Per case/40 | 2           | \$13.98        |
| Ice                   | \$1.00 | Per pound   | 6           | \$6.00         |
| Noah's Pay            | \$5    | Per hour    | 2           | \$10.00        |
| <b>Total Expenses</b> |        |             |             | <b>\$65.10</b> |

| <i>Sales</i>        |        |             |             |                 |
|---------------------|--------|-------------|-------------|-----------------|
| Item                | Price  | Per Unit    | Inventory   | Total Sales     |
| Soda                | \$1.00 | Each Can    | (4 x 24) 96 | \$96.00         |
| Water               | \$1.00 | Each Bottle | (2 x 40) 80 | \$80.00         |
| <b>Gross Profit</b> |        |             |             | <b>\$176.00</b> |

| <i>Potential Profit (All Drinks Sold)</i> |                 |
|---|-----------------|
| Total Sales (Gross Profit)                | \$176.00        |
| Minus Expenses                            | \$65.10         |
| <b>Total Net Profit</b>                   | <b>\$110.90</b> |

# FOR **Kids**



PHOTO: GETTY IMAGES

## CHAPTER 9

# Money and Banking Overview

### *What did I learn?*

**Wow! You have learned a lot about money and banking.** You are on your way to being money smart! Let's review what we have learned from Isabella and Noah.

In Chapter 1, we discovered that an FDIC-insured bank is a business that protects your money and keeps it safe. When you deposit your money in a bank, it helps you to save and grow your money. Saving money can help you to buy things now or prepare to buy things in the future.

We met Isabella and Noah in Chapter 2. Isabella is a fourth grader who loves to play basketball and Noah is a fifth grader interested in music and animals. Both realized saving money could help them to make future purchases, like basketball camp or purchasing an electric guitar. Remember, when setting a savings goal, you need to think about what you are saving for, how much you need to save, and when you will need it. Setting a savings goal will help you buy things you need and want.

We uncovered why it is important to have a budget in Chapter 3. Creating a budget can help you with your savings goals, whether they are short-term or long-term goals. A budget helps you keep track of how much money you earn, how much you spend, and how much you have saved. This is helpful, especially when you make a decision on how much money you have to spend when shopping for a need or a want.

In Chapter 4, Isabella included helping her community in her savings goal. She raised money to put a basketball court in the local park. She included the amount she planned to share with her community in her savings goal and her budget. By sharing with others, you create positive impacts in your community and can build lasting friendships along the way.

Noah saved money from his allowance and birthday money in Chapter 5. He put his money in a savings account at the bank. Money that is saved in a savings account earns compound interest, which helps your money grow when it is in the bank. Every time you earn interest, it is added to your principal and the higher the interest rate, the faster your money will grow. The longer your money is in a savings account, the more you earn.

While walking dogs in Chapter 6, Noah met a dog trainer and veterinarian. Because of his dog-walking job, he is now interested in learning more about careers with animals. While reading about Noah and his experience, we explored how jobs and careers influence the money you save and spend. We learned that not all jobs and careers pay the same. Jobs and careers also require various education and skills. You should explore various jobs and careers to find the type of work that interests you.

*see the next page*



---

from the previous page

In Chapter 7, Isabella borrowed money from her parents to attend a basketball camp. We explored what happens when we borrow money, take a loan, or use credit. We learned that we should only borrow money or use our credit for what we need. We also learned that it

is important to pay it back on time. This helps us to establish good credit with others.

Isabella decided to start her own business in Chapter 8. She sold refreshments at the basketball tournament. We learned not all jobs

and careers mean working for someone else. Sometimes great ideas and amazing businesses come from entrepreneurs, people who own their own businesses.

## Student Questions

Why is it important to keep your money in a bank?

How do values and goals influence how you save money?

Why is it important to budget before you spend your money?

What are some good things about saving and sharing your money?

---

*see the next page*

---

from the previous page

How does compound interest help your money grow?

How might your job or your career affect your pay?

What are some things you should consider when thinking about asking for a loan?

What is an entrepreneur?