SPECIAL EDITION

FDIC Consumer News

# Start Smart: Money Management for Teens

*How to Save, Spend and Protect Your Cash*


FEDERAL DEPOSIT INSURANCE CORPORATION

# Start Smart: Money Management for Teens

## How to save, spend and protect your cash

Saving money may not be as much fun as spending money, but it's still important to do. When you save your money, you can use it later to buy fun things (DVDs, video games, clothes) as well as pay for serious things like college or a car. ***FDIC Consumer News***, published by the Federal Deposit Insurance Corporation, has produced this guide to help teens get good grades in money management.

Why is the FDIC, a government agency best known for protecting bank accounts, publishing a money guide for teens? It's because consumer education is a big part of what the FDIC does to protect the public.

We know that the more people understand how to save and manage money, the more likely they are to make smart decisions that affect their finances and their future.

Although the FDIC's financial education programs are mostly for adults, this special guide will help you learn how to make good decisions about your money, right from the start.

Teens have access to more money than ever before, thanks to allowances and gifts and, for many, income from chores, summer jobs or part-time jobs. Teens also are becoming more responsible for handling money and making decisions—for everything from small, everyday purchases to bigger-ticket items (such as a bike or a camera) to saving for college.

"This guide wouldn't be necessary if money really did grow on trees or if The Bank of Mom and Dad was open 24 hours a day and offered unlimited withdrawals, but this is the real world," said Paul Horwitz, an FDIC Community Affairs Specialist.


In this guide you'll find tips and information on how to:

- Save and earn money;
- Decide where to keep your money;
- Spend money wisely;
- Borrow money;
- Protect against identity theft;
- Be charitable; and
- Get more help about money matters from government agencies, banks, businesses, professional associations, schools, parents and other sources.

There's also a quiz on the back page that you can take to find out how much you know about saving and managing your money.

If you consistently make smart decisions about your money, you can have more of it for what you truly need. We hope one of your first decisions will be to read our guide.

### Inside

# Saving Money

## Simple, Everyday Things You Can Do to Save Money

Everyone can use a little guidance on how to save more money. Here are some suggestions for simple things you can do.

**Set goals.** "Saving money now for use in the future gets easier if you know what you want and how much you'll need," said Janet Kincaid, FDIC Senior Consumer Affairs Officer. It helps to set savings goals you can easily achieve. If you want to buy a $500 item within the next year, plan to save $50 a month for 10 months, which is just $12.50 a week. (We're not including any "interest" you could earn on your savings.)

**Have a strategy for saving money.** Every time you receive money—from your allowance, a gift, a summer job or some other source—try to automatically put some of it into savings instead of spending it. That approach to saving money is known as "paying yourself first."

Here's one suggestion: Consider putting about 25 percent ($1 out of every $4) or more into savings that you intend to let build for a few years, perhaps for a down payment on your first car. Separately you can save a similar amount of money for clothes, video games, electronics or other items you might want to buy within the next few months. With what's left, keep some handy for spending money (maybe for snacks or a movie) and, as we suggest on Page 9, also consider donating some of your money to charity.

**Cut back, not out.** Are you spending $5 a week on snacks? If you save $2 by cutting back, after a year you'll have $104 to put in a savings or investment account that earns interest.

Want more ideas for saving more and spending wisely? Just keep reading. 🏛

## It's Amazing: How a Small Savings Account Can Get Big Over Time

People who put even a small amount of money into a savings account as often as they can and leave it untouched for years may be amazed at how big the account grows. The reason? A combination of saving as much as possible on a regular basis and the impact of interest payments (what the financial world calls "the miracle of compounding").

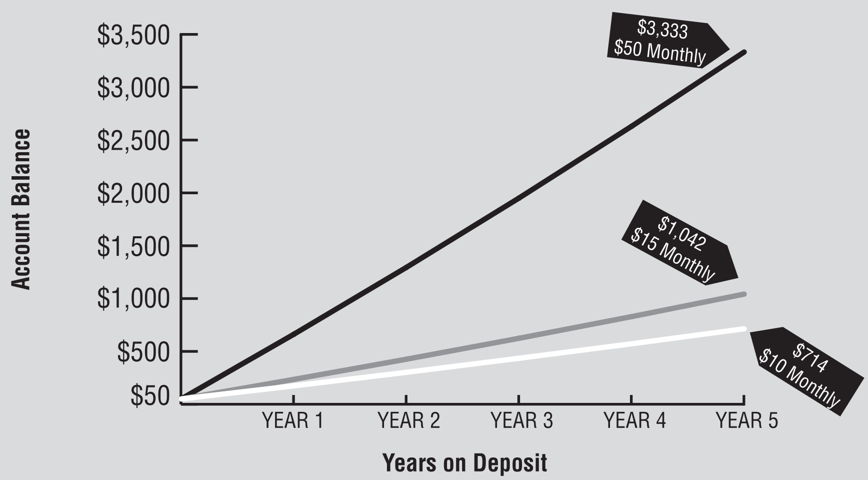
Here's how you can slowly build a large savings account and experience the miracle of compounding.

Let's say you put money into a savings account that pays you interest every month. After the first month, the interest payment will be calculated based on the money you put in. But the next time the bank pays you interest, it will calculate the amount based on your original deposit plus the interest you received the previous month. Later, that larger, combined amount will earn more interest, and after many years it becomes a much larger sum of money. The earnings are called compound interest.

You can earn even more in compound interest if you make deposits regularly and stretch to put in as much as you can and leave it untouched. See the chart below, which is based on a savings account started with $50 and earning interest at a rate of 3.5 percent each month. If you add just $10 each month, the account can grow nicely to $714 after five years.

If you instead put in a slightly higher amount—$15 each month—you'd have a balance of $1,042 after five years. But if you had increased your deposits to $50 a month, those extra dollars plus the compounding of interest would give you a balance of $3,333 after five years. 🏛

**Saving As Much As You Can on a Regular Basis Can Really Add Up**




**3.5 Percent Interest Rate Compounded Monthly for Five Years, Initial Deposit $50**

# Where to Keep Your Money

## Shopping for a Bank Account That Fits Your Style

### How to choose and use a checking or savings product

You probably started saving money years ago in a piggy bank and may now have another favorite place at home to stash your cash. That's fine for smaller bills and coins, but what if you've got checks and large sums of money from birthday gifts or your job? Maybe your parents (or other trusted adults) have been keeping your money in their bank accounts. Now may be a good time to talk with them about opening your own bank account which, if you are under 18, you'll probably have to do with their help.

There are lots of good reasons for opening a checking or savings account at a bank, including these:

• **Safety.** Money in the bank is better protected against loss or theft than it is at home. And if the bank has financial troubles and goes out of business, your FDIC-insured money will be fully protected (see Page 9).

• **More ways to save.** Banks offer several different ways to save money and earn interest, which is what banks pay customers to keep their money in the bank. "It's also less tempting to spend your money if it's in the bank rather than in your room," said Sachie Tanaka, an FDIC Consumer Affairs Specialist.

One example of a common bank product is a "certificate of deposit," which enables you to earn a higher interest rate the longer you leave the money untouched in the bank, but these accounts usually require a large amount of money (perhaps $1,000 or more) to open. But many banks also offer special savings accounts designed just for young people and can be opened with very little money.

• **Easy access.** Bank customers have different ways to send or receive their money—from going to the bank to writing checks or using the Internet from home. Some banks even have "branches" at schools. If your parents approve, you also may want to start using a debit card to make purchases. It looks like a credit card but you won't pay interest or get into debt because the money is automatically deducted from your bank account.

Whether you open a checking or savings account, it pays to be smart in how you choose and use the account. Here are some suggestions:

**Shop around for a good deal before you open an account.** Banks usually offer several accounts to choose from with different features, fees, interest rates, opening balance requirements and so on. These accounts also may differ significantly from bank to bank. Some banks have special accounts for teens and even younger kids featuring parental controls on withdrawals.

It's usually best to choose an account that takes very little money to start and involves low fees or no fees for having the account. "The fees charged may be more important than any interest you may earn on the account, especially if the account has a small balance," said James Williams, an FDIC Consumer Affairs Specialist.

**Keep your account records up to date.** Record *all* transactions — deposits and withdrawals.

**Pay attention to your bank statements and immediately report any errors.** If your account has a minimum balance requirement, avoid going below it. Your bank may charge you a fee, which would mean less money in your account.

**Use the account responsibly.** Even a "free" checking account can involve some fees, such as when you use another bank's ATM to withdraw money, so do your best to keep costs down. Also, never share your account numbers, bank cards or passwords with friends or strangers—this could give them access to your money. See more tips for avoiding fraud and theft on Page 8.

# Are You Ready to Start Investing? Understand the Risks and the Rewards

## Company stocks and bonds can be attractive but, unlike bank savings accounts, can lose money

Investments can be attractive alternatives to bank savings accounts as a way to earn money. They come in different varieties, and they may be sold by banks as well as by brokerage firms and other financial institutions. You can make money on investments—often more than you can earn on bank deposit accounts—by selling them for more than you paid for them or by earning dividends or interest.

But investments also involve more risks than bank deposits, including the possibility that you could lose some or all of your money if the investment doesn't perform well.

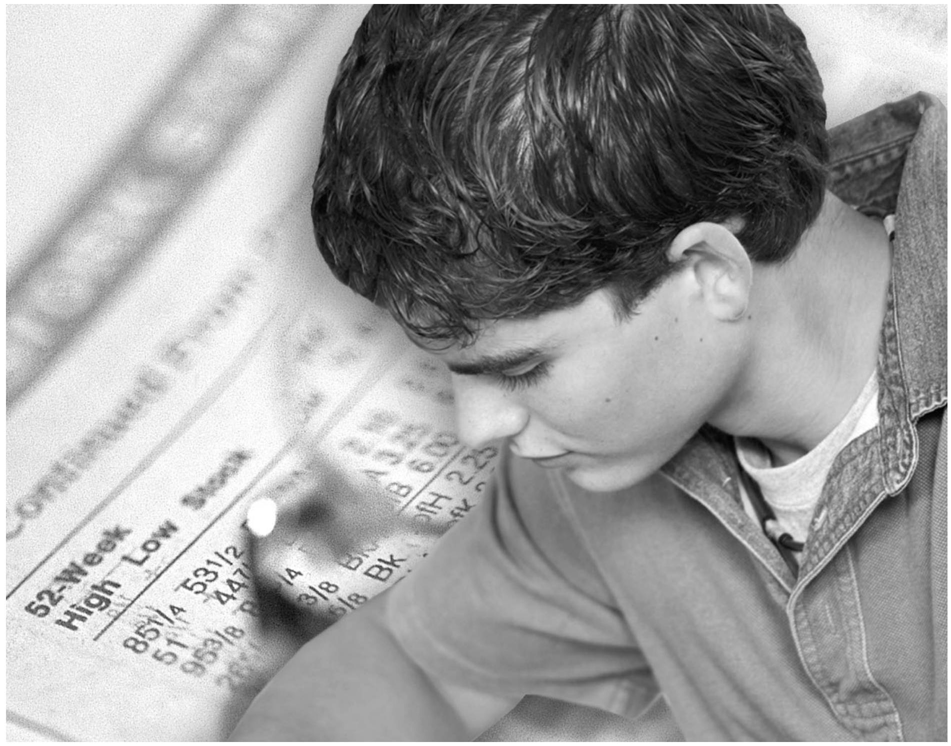
Some of the more popular types of investments to consider (with a parent or guardian if you are under 18) include:

• **Stocks**, which are shares in the ownership of a company. If the company does well, you might be able to sell your stock for more than you paid for it. But if the company does poorly and you want to sell your stock, you might lose money.

• **Bonds**, which represent a promise by a company or another organization to pay a specific interest rate for money you leave with it for a certain time period.

• **Mutual funds**, which are professionally-managed collections of money from many different investors. Each mutual fund buys a variety of stocks, bonds or other investments. Some  mutual fund accounts can be opened for an initial investment of $250 or less.

You might find it interesting to invest in companies whose products or services you use and like. But it's especially important to remember that investments involve risks and are not insured by the FDIC—not even the investments sold at FDIC-insured banks.




"When you're willing to take some risks for your money to grow—and you believe it won't hurt you if some or all of your money is lost—then you're ready to move from saving to investing," said James Williams, an FDIC Consumer Affairs Specialist. "But before any young person wants to invest money it's important for them to consult with their parents, do some research and consider getting professional advice."

For more information about the basics of investing, including the potential risk and rewards, start at the U.S. Securities and Exchange Commission's Web site "Beginners' Guide to Investing" at www.sec.gov/investor/pubs/begininvest.htm.

### Savings Bonds: A Safe and Affordable Investment Option

U.S. Savings Bonds are investments that are backed by the federal government and offer a safe, easy way for teens (and anyone else) to save for the future.

Savings Bonds are affordable—you can buy a bond electronically through the U.S. Treasury for as little as $25 or purchase a paper bond from a local bank starting at $50. Savings Bonds also pay interest rates that are competitive with other forms of saving. And you will always get your money back, unlike with stocks and certain other investments.

For more information, go to www.treasurydirect.gov or call toll-free 1-800-4US-BOND, which is 1-800-487-2663.

# Spending Money

## 5 Ways to Cut Spending…and Still Get to Do and Buy Cool Things

Do you want to find ways to stretch your money, so it goes farther and is there when you really need it? Here are some suggestions for knowing how much money you have, how much you need for expenditures, and how to reach your goals by cutting back on what you spend.

**1. Practice self-control.** To avoid making a quick decision to buy something just because you saw it featured on display or on sale:

• Make a shopping list before you leave home and stick to it.

• *Before* you go shopping, set a spending limit (say, $5 or $10) for "impulse buys"—items you didn't plan to buy but that got your attention anyway. If you are tempted to spend more than your limit, wait a few hours or a few days and think it over.

• Limit the amount of cash you take with you. The less cash you carry, the less you can spend and the less you lose if you misplace your wallet.

For more guidance on spending wisely, see the box on the right.

**2. Research before you buy.** To be sure you are getting a good value, especially with a big purchase, look into the quality and the reputation of the product or service you're considering. Read "reviews" in magazines or respected Web sites. Talk to knowledgeable people you trust. Check other stores or go online and compare prices. Look at similar items. This is known as "comparison shopping," and it can lead to tremendous savings and better quality purchases. And if you're sure you know what you want, take advantage of store coupons and mail-in "rebates."

***Research before you buy, especially with a big purchase. Read reviews, talk to knowledgeable people, and check other stores. This "comparison shopping" can lead to tremendous savings and better quality purchases.***

**3. Keep track of your spending.** This helps you set and stick to limits, what many people refer to as budgeting. "Maintaining a budget may sound scary or complicated, but it can be as simple as having a notebook and writing down what you buy each month," said Janet Kincaid, FDIC Senior Consumer Affairs Officer. "Any system that helps you know how much you are spending each month is a good thing."

Also pay attention to small amounts of money you spend. "A snack here and a magazine there can quickly add up," said Paul Horwitz, an FDIC Community Affairs Specialist. He suggested that, for a few weeks, you write down every purchase in a small notebook. "You'll probably be amazed at how much you spend without even thinking."

**4. Think "used" instead of "new."** Borrow things (from the library or friends) that you don't have to own. Pick up used games, DVDs and music at "second-hand" stores around town.

**5. Take good care of what you buy.** It's expensive to replace things. Think about it: Do you really want to buy the same thing twice?

### Do You Really *Need* Those $125 Designer Sneakers?

A "need" is something you cannot live without. A "want" is something that would be nice to have but isn't necessary.

"A need may be a pair of sneakers, but a want is the $125 pair advertised by your favorite athlete," explained Paul Horwitz of the FDIC.

When you can control your spending on life's wants, you'll have more money available to save for what you need in the future.

Janet Kincaid of the FDIC offered this tip: "Take a day or two to think about any purchase that will cost a significant portion of your savings," she said. "If you really need to buy the item, it will probably still be there for you. If you don't need it but you still want it, perhaps you can buy something similar that's a lot less expensive and save the remaining money for other things."

# Borrowing Money

## Getting a Loan: A Responsibility to Be Taken Seriously

Borrowing money can be a great way to buy something now and pay for it over time. And yes, there are ways for a teen to borrow money. But there are some important thing to remember if you borrow money. One is that borrowing usually involves a cost called "interest," which is the fee to compensate the bank or other lender when you use their money. This is the reverse of what happens when the bank pays you interest to put your money in the bank.

Also, when you borrow money you are promising to repay the loan on a schedule. If you don't keep that promise, the results can be very costly—either in late payments you'll owe or in damage to your reputation, which means you could have a tougher time borrowing money in the future.

Here are some of your options… and important considerations.

**For many teens, their first lenders are their parents.** If your parents are willing to lend you money, they probably will set repayment terms (how much to pay back and when). They also may require you to pay more money than you borrowed, as a bank would do when it lends people money and charges interest.

**You may be able to get access to a credit card or bank loan.** Under most state laws, for example, you must be at least 18 years old to obtain your own credit card and be held responsible for repaying the debt. If you're under 18, though, you can qualify for a credit card along with a parent or other adult.

If you and your parents are comfortable with you having access to a credit card, there are cards designed just for teens. One is a credit card with a low credit limit (maximum amount you can borrow), which can keep you from getting deeply in debt.

**An alternative to buying with a credit card is to use a debit card, but this also comes with costs and risks.** A debit card allows you to make purchases without paying interest or getting into debt because the money is automatically deducted from an existing savings or checking account. Again, if you're under 18, you may qualify for this card with a parent or other adult.

One example of a debit card that may be appropriate for teens 13 and older is a pre-paid card that carries a certain value from which purchases are deducted. This kind of debit card isn't linked to your bank account. Instead, just like with a pre-paid telephone plan, there is a limit on how much you may spend.

Keep in mind that many debit cards have fees that can add up quickly, so make sure you ask about fees before using a debit card. Also, because a debit card can provide a thief easy access to an account, you need to protect your card and any PINs (personal identification numbers) that go with it.

### Small Payments Can Mean Big Costs When Borrowing

Here's a situation you won't encounter for a few years, but it's never too early to begin learning how credit (borrowing) works. The main message is this: The longer you take to pay back what you owe on a credit card or loan, the more you'll pay the lender in interest charges. In particular, if you use a credit card to make a major purchase and you only pay back a little of what you owe each month, "it will take you a very long time to pay off the balance, and the interest costs can be shocking," according to Janet Kincaid, FDIC Senior Consumer Affairs Officer.

The chart below shows what an expensive purchase will *really* cost you if you charge it and only pay back the minimum amount due each month, which may be something like $20 or $30. In this example, a $500 stereo would end up costing you about $900 when you figure in the total interest you'd pay, and a $1,000 computer would set you back more than $2,100. If you instead pay back as much as you can each month—the entire balance, if possible—you can really limit interest charges.

| Item | Purchase Price | Years to Pay Off With Minimum Monthly Payments | Total Interest Paid | Total Cost |
|---|---|---|---|---|
| Stereo | $500 | 7 | $367 | $867 |
| Computer | $1,000 | 13 | $1,129 | $2,129 |

Note: Years are rounded to the nearest whole year. These examples assume an interest rate (Annual Percentage Rate) of 18 percent and a minimum monthly payment of the interest due plus one percent of the outstanding balance owed.

# Protecting Against Fraud

## Warning: Identity Thieves Target Young People, Too

### Criminals use the Internet to obtain personal information and steal money

You've probably heard or read about "identity theft," which happens when someone learns enough private information about another person to be able to withdraw money from a bank account or obtain a new credit card in that other person's name and use it for purchases that will not be paid for. But did you know that adults aren't the only people whose identity is being used by ID thieves?

Crooks target young people like you even though you may be too young to have a checking account or credit card on your own. They can use your name, address and Social Security Number to open accounts.

While we don't want to scare you, we do want to help you protect yourself and your family from ID theft.

**• Be extra careful with your full name and address, date of birth, Social Security Number, bank account information, phone number and your mother's maiden name.** This is personal information that banks and other businesses use to confirm your identity, which can be very valuable to an ID thief wanting to pose as you to commit fraud.

**• Don't give out personal information in response to an incoming call or e-mail from a stranger or an advertisement on the Internet.** For example, beware of what law enforcement officials call "phishing," a type of identity theft in which criminals use fake Web sites and e-mails to "fish" for valuable personnel information.

In the typical phishing scam, you receive an e-mail supposedly from a company you may do business with or even from a government agency. The e-mail describes a reason you must "resubmit" bank account numbers or

other personal information. If you follow their instructions, the thieves hiding behind what you think is a legitimate Web site or e-mail can use the information to withdraw or spend money in your name.

"Identity thieves are very good at pretending to be legitimate business people and government officials so they can convince others to share personal information or even send money," said Michael Benardo, manager of the FDIC's financial crimes section.

That's why you should never provide personal information in response to a phone call, e-mail or a pop-up ad on the Web, no matter how official it may appear to be.

**• Never share your passwords or ID numbers for your computer with friends or strangers.** Be especially suspicious of new "friends" you've met through the Internet, such as through a Web site where people can post information about themselves and can contact others through that site. These people could be fraud artists.

**• Don't leave your birth certificate or documents with your Social Security Number unprotected at home, at school or anywhere else.** For example, while you may need to provide your birth certificate as proof of your age when you sign up for a sports league or get your learner's permit, you shouldn't leave your birth certificate in your locker at school or any other place that may not be safe.

For more information about avoiding ID theft, visit the Federal Trade Commission's Web site for consumers at www.consumer.gov/idtheft.

### How Are *You* Saving Money? Send Us Your Stories

Calling all teens. Please help us help other young people be smart money managers. In 250 words or less, we want you to tell us your story about how you're saving more, spending less, shopping smarter, or otherwise managing your money. Also tell us what you've learned from your experience that other young people would find useful. Some of the best stories or tips may be included in an upcoming issue of our quarterly publication ***FDIC Consumer News***, so that other students around the country can learn from you!

Please send your stories by e-mail to communications@fdic.gov and put "Savings Success Stories" in the subject line. If you don't have access to e-mail, write a letter to the FDIC, Office of Public Affairs, 550 17th Street, NW, Room 7100, Washington, DC 20429. Don't worry—we won't publish names without permission. But we do ask that, when you write to us, include your name, address and phone number (in case we need to ask you a question), and your age. *Send us your success stories today!*

# Banking Basics

## The FDIC—Who We Are and Why You Should Know About Us

You probably know something about the FDIC from your parents or teachers, our signs at banks around town, or perhaps radio ads from banks that end with the familiar words "member FDIC." But how much do you really know about what the FDIC does and how we protect you and your family?

The FDIC— that's short for Federal Deposit Insurance Corporation—is part of the U.S. government. The FDIC was created by Congress in 1933 after a terrible economic period called "The Great Depression" when thousands of banks shut down and families and businesses all across America lost money they had deposited in those banks.

The FDIC's primary job is to make sure that, if a bank is closed, all of the bank's customers will get their deposits back—including any interest they've earned—up to the insurance limit under federal law.

In the 70-plus years since the start of the FDIC, we have responded to about 3,000 bank failures, and we are proud to say that *no depositor has lost a single penny of insured money*.

"FDIC insurance means that you don't have to worry about whether your money will be safe," said FDIC Chief Economist Richard A. Brown. And by protecting depositors, he noted, FDIC insurance also gives people the confidence to keep their money in banks, and that's good for the community. "Banks make this money available to other people, in the form of loans, so they can buy a home, pay for college or start a business," Brown explained.

But there is more to the FDIC than being ready to protect depositors from bank failures. For example, the FDIC also is one of five federal regulators of banking institutions in the U.S., and together they make sure that these institutions operate safely (which helps prevent bank failures) and obey certain consumer protection laws (such as those ensuring that people are treated fairly when they apply for a loan).

To learn more about the FDIC, start at our Web site—www.fdic.gov.

## What Do Banks Do?

Banks are private, for-profit businesses that offer a variety of services to the public. They provide a place to safely store your money in FDIC-insured checking and savings accounts until you need to take the money out. Banks enable customers to write checks, pay bills or send money to other people. They also make loans to people and businesses.

Lending money is one of the ways that a bank earns money. And where does the bank get the money to make loans? Mostly, it uses the money that customers have deposited into checking and savings accounts, while ensuring that those depositors can still get their money back when they want it.

"Savings banks" or "savings and loan associations" (also known as "thrift" institutions) are also FDIC insured; their main business usually involves making home loans. To keep things simple, we've used the word "bank" in this guide to refer to all of the various types of FDIC-insured banking institutions.

Most but not all banks and thrifts in the U.S. are insured by the FDIC. One way to check whether an institution is FDIC-insured is to call the FDIC toll-free at 1-877-275-3342.

In addition, you may have heard about credit unions. These are not-for-profit financial institutions that are owned and operated by their members, who are usually people who have something in common, such as the same employer or occupation. You have to become a member of the credit union to keep your money there. Deposits at credit unions are insured by another federal government agency called the National Credit Union Administration.

### This FDIC Special Guide May Be Reprinted

The FDIC encourages schools, financial institutions, government agencies, the media and anyone else to help make the tips and information in this special edition of ***FDIC Consumer News*** widely available to teens and their families.

The newsletter may be reprinted in whole or in part without advance permission. In addition, the FDIC offers this special edition online in a PDF version at www.fdic.gov/consumernews that looks just like the printed newsletter and can easily be reproduced in any quantity. Space on the back page of the PDF version also was intentionally left blank so that an organization could add its name, logo, a special message and/or mailing information.

# Extra Points

## Another Good Use of Your Money: Helping the Less Fortunate

You may think the most important reason to save and manage money is to take good care of yourself. It is, but you should also consider using some of your money (and some of your time) to help others less fortunate than you in your town or around the world.

"People who give generously of their time and their money get tremendous amounts of satisfaction in return," said Liz Kelderhouse, an FDIC Community Affairs Officer. "You'll feel great knowing you're making a difference, and you'll have a better appreciation of what you're fortunate enough to have."

How can you get more involved sharing your time and money with others? Here are some possibilities:

***People who give generously of their time and their money get tremendous amounts of satisfaction in return and have a better appreciation of what they are fortunate enough to have.***

- Donate part of your allowance or gift money to a charity you admire.
- Ask friends and family to donate to a charity instead of giving you birthday or holiday gifts.
- Join or start an organization at school or in your community that helps others.
- Coordinate with friends and parents on a lemonade sale, car wash, a toy or food collection, or some other event for a local charity.
- Volunteer to mow the lawn, rake leaves or handle another chore for an ill or elderly neighbor.
- Help your parents when they volunteer for a good cause or donate items to a charity.
- Participate in a walk or run that raises money for a charity.

Need more ideas or direction? Start by talking to your parents and other family members. Also, your city or county government may have Web sites that list local charities and volunteer opportunities.

### Gift Cards Are Great But Beware of Risks and Costs

You probably love getting gift cards for your birthday or other occasions so you can pick out exactly what you want at the store. Gift cards also are easy to buy and give to friends and relatives because they're widely available at stores and even at banks. But while gift cards may seem to be the perfect gift, they also can come with potential risks and costs. Whether you're giving or receiving a gift card, remember this:

**Watch out for fees.** You may be charged a fee for purchasing a gift card. You also may have fees deducted each time you use the card at a store or restaurant. Or, you may be charged fees for not using the card, perhaps $1 or more each month after going a year or so without making a purchase. "When a fee is deducted, that's less money for you to spend," said Janet Kincaid, FDIC Senior Consumer Affairs Officer.

**Find out if there is an expiration date.** "Gift cards aren't exactly like cash—they usually can't be used indefinitely," advised Kincaid. "You don't want to put gift cards away and forget about them because, if you let them expire, you could lose the entire balance on the card."

**Immediately report a lost or stolen gift card to the card issuer.** Some companies will replace a lost card (for a fee), others may not.

**If you have a problem with a gift card that you can't solve by talking to a store employee,** consider contacting your state government's consumer protection office, which will be listed in your local phone book or other directories.

### Getting a Job: A Way to Earn and Learn at the Same Time

Thinking about getting a job to earn a little extra money? Ask your parents first. If the answer is "yes," it's usually best to start with odd jobs for friends and neighbors. Think about your talents. Are you good at playing the piano or solving math problems? Maybe you can be a tutor. If you love animals, maybe you can get paid to walk dogs or pet sit. If you prefer to be outdoors, consider mowing lawns or washing cars.

Eventually your parents may agree it's time you took a "real" job in the summer or after school, which can be a great way to learn about the working world and handle new responsibilities.

# How to Learn More

## Sources of Help and Information About Money Matters for Teens and Families

**The FDIC** offers a variety of assistance to help consumers understand how to handle their money and resolve complaints. Start with the consumer information on the Web site at www.fdic.gov, including the Summer 2005 issue of ***FDIC Consumer News,*** which was written for high school and college students and other young adults but may be useful to many teens. The FDIC also has an educational page called "Learning Bank" that primarily helps young kids find answers to common questions about the FDIC and banking. You also can get answers to questions by calling the FDIC toll-free at 1-877-ASK-FDIC—that's 1-877-275-3342—Monday through Friday 8:00 a.m. to 8:00 p.m., Eastern Time.

**Other government agencies** also publish consumer information on money matters and have staff, Web sites and other resources that can help answer your questions on financial matters. A good place to start is www.mymoney.gov, the federal government's central Web site about managing money. Also check out www.kids.gov/k_money.htm, another federal government Web site about money but for students from kindergarten through high school. In addition, the Federal Reserve System produces free brochures and publications related to money, banking and savings that you can view and order online, including a series of comic books for various age groups produced by the Federal Reserve Bank of New York. Start at www.federalreserveeducation.org.

**The Jump$tart Coalition for Personal Financial Literacy,** consisting of more than 170 government agencies (including the FDIC), businesses and not-for-profit organizations, promotes financial education for students in kindergarten through college. The Web site at www.jumpstartcoalition.org offers extensive information for students, parents and teachers. You might want to try Jump$tart's "Reality Check," an online calculator that asks you questions about your "dream life" and then tells you how much income you will need to support that lifestyle. Also available is a listing of various types of materials, many of which are available free of charge.

In addition, **FDIC-insured banks, other financial institutions and professional associations** have financial education Web sites for young people and their families. You can find a number of excellent sites by searching the Internet.

*Here are a couple of suggestions just for teens.*

**Your school** can be a resource for information about managing and saving money. Perhaps your school has a personal finance class or an investment club, many of which feature a stock market game or similar contests. Your school library also may have publications about handling money and taking control of your finances.

**Talk to your parents** about what they think is important for the family and for you in terms of saving or spending money. "Learn from your parents what it costs to run a household," said Kirk Daniels, an FDIC Supervisory Consumer Affairs Specialist. "It's important to understand that driving a car involves putting gas in the tank, paying auto insurance, maintaining and repairing a car, and perhaps paying interest on a loan."

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# A Final Exam: Test Your Money Management IQ

**1** All banks offer checking and savings accounts that are pretty much the same in terms of features, fees, interest rates and opening balance requirements; if you're looking for a new account there's no need to shop around at several banks. ***True or False?***

**2** Let's say you put money in a savings account paying the same interest rate each month, and you don't take any money out. Even though your original deposit and the interest rate remain unchanged, the amount of money you will earn in interest each month will gradually increase. ***True or False?***

**3** FDIC insurance covers deposits, like checking or savings accounts, but not investments such as stocks, bonds or mutual funds. ***True or False?***

**4** Because credit cards offer the option to pay a minimum amount due each month — for example, $20 or $30 on a purchase of several hundred dollars — it's always smart to send in the minimum and stretch out the card payments as long as possible instead of paying the bill in full. ***True or False?***

**5** If you receive an e-mail saying that a company you or your family does business with needs you to update your records by re-entering your Social Security Number or bank account numbers, it's always safe to provide these details as long as the e-mail explains the reason for the request and shows the company's logo. ***True or False?***

**6** It's possible that a gift card you receive for your birthday or another occasion may come with an expiration date, meaning if you don't spend the entire balance by that date you could lose whatever amount remained on the card. ***True or False?***

**7** In the 70-plus years since the start of the FDIC, no depositor has lost a single penny of insured money as a result of a bank failure. ***True or False?***

## Correct Answers

**1.** False (See Page 4)

**2.** True (See Page 3)

**3.** True (See Page 5)

**4.** False (See Page 7)

**5.** False (See Page 8)

**6.** True (See Page 10)

**7.** True (See Page 9)