

MasterCard
International



kids, cash, plastic *and* **YOU**



**Needs vs. Wants: A Quick
Lesson for Your Kids**

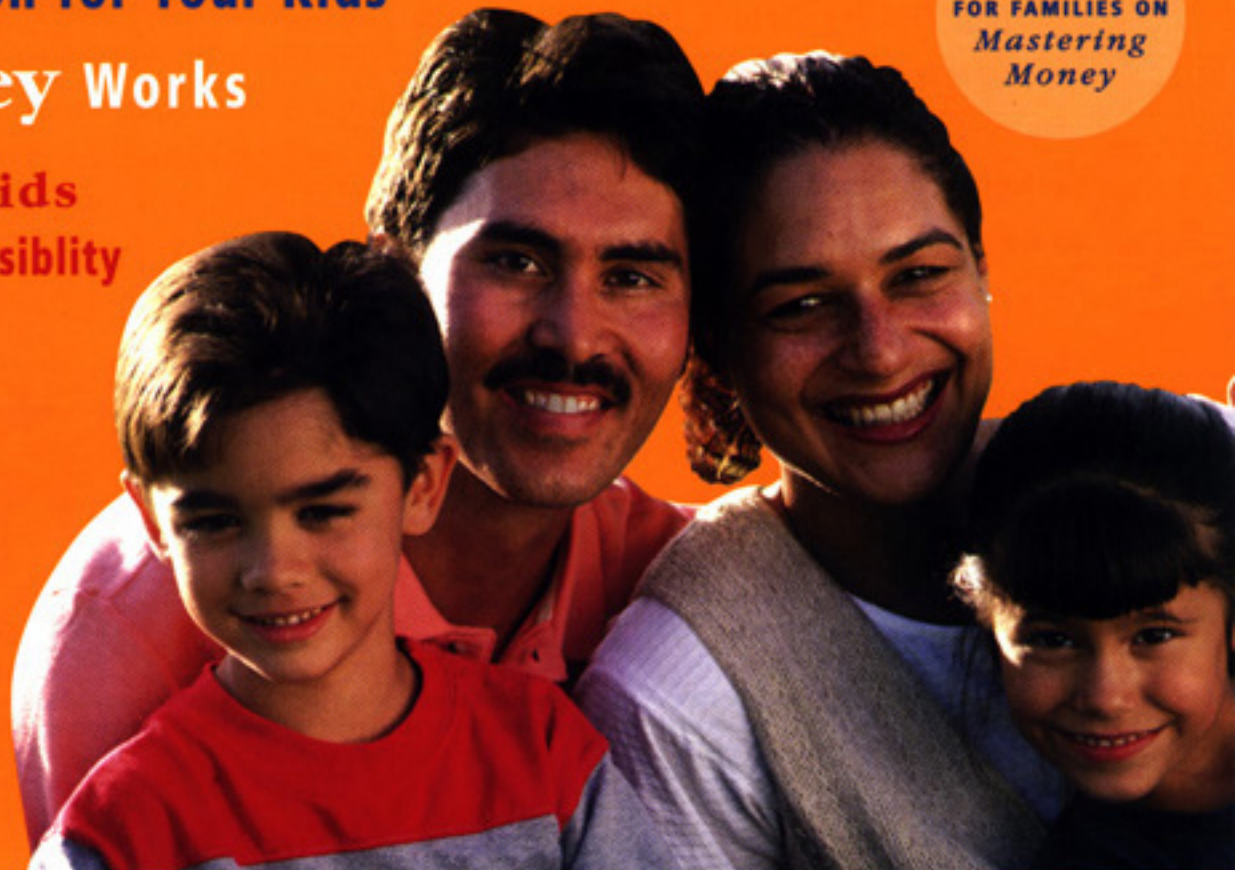
A GUIDEBOOK
FOR FAMILIES ON
*Mastering
Money*

How Money Works

**Teaching Your Kids
Financial Responsibility**

**Making a
Financial
Family Tree**

***Budgets:*
The Secret to
Your Financial
Success**





WELCOME

Every day, consumers are learning new ways to get more value for their money. From different ways to pay—such as credit, debit or smart cards—to home banking and shopping over the Internet, people are realizing that they have more control over their money and more ways to use it. Parents and caregivers are uniquely positioned to teach kids the life skills, values and understanding they need to become smart consumers. The goal of *Kids, Cash, Plastic and You* is to help parents and caregivers understand the whys and ways of personal finance and to provide them with tips, resources and activities designed to make it easier to talk to kids about money. We extend our thanks to those involved in developing and producing *Kids, Cash, Plastic and You*. We are especially indebted to Elane Scott, pioneer of the Parent Coach™ concept. Elane assisted in crafting many of the tips and exercises contained herein. Her knowledge of unique and inspiring parent-coaching techniques, as well as her enthusiasm for this project, were invaluable.

MasterCard International and the U.S. Office of Consumer Affairs hope *Kids, Cash, Plastic and You* will motivate today's consumers—parents and caregivers—for tomorrow's marketplace.

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Family Finances

Resources and Challenges

You handle money practically every day of your life. Whether it is day-to-day finances or long-term savings goals, managing money can be difficult.

Understanding personal finance and how money works for you can make a tremendous difference to you and your family. It can heighten your financial well-being, increase your sense of control and give you a more positive outlook on life in general. Learning good habits early in life can make managing money easier over the long run.

This guidebook provides a basic framework for understanding the world of finance as it relates to your family. It offers ideas for organizing your family's financial resources and is intended to help parents, grandparents and adult care-givers teach kids values such as responsibility, frugality, honesty, respect and moderation.

It's a **first step** in mastering your financial future and your family's.

SUCCESS PRINCIPLE #1: Acknowledge and affirm your strengths.

Children need help understanding the role money has in their lives. Invest time, energy and resources to help family members develop their natural talents, abilities and circle of support when it comes to money and finances.



Financial Responsibility

Setting a Good Example



What kind of financial example am I setting for my family?

Financial responsibility begins at home. Whether you realize it or not, you teach children about money constantly, either directly through your spending and saving priorities, or indirectly in casual conversation.

Every time kids go to a store, a restaurant or a ball game, they learn about money and about what adults think is important and valuable.

More than anything else, your own spending and saving patterns and the money attitudes they suggest form the basis of your family's financial values. How can you make sure you're passing on the values you want your kids to have? The first step is to think about what your priorities are and what

message you are sending about finances.

Start by asking yourself these questions:

What kind of financial role model am I?

What kind of financial example am I setting for my family?

What are my family's financial goals?

Do I have trouble paying bills on time or handling credit?

Do I involve the kids in family financial decisions?

Do I expect them to be financially responsible?

The more honestly you can answer these questions, the more effective your efforts will be.

Kids should start learning about money at an early age. If you include your kids in the process of family financial decision-making (even in a limited way), they'll be on their way to a financial education.



Point out to your kids that some



restaurants give better value for the money spent.



SUCCESS PRINCIPLE #2: Acknowledge your past—the first step in setting a good example is conducting a financial check-up. The challenges facing today's parents are not the same as those their parents faced when they grew up. Financial choices that parents make are influenced by choices their parents or other adults made regarding money—positive or negative. Past influences offer no guarantee for future success, neither are they an excuse for failure. Set your kid up for success by teaching them fiscal responsibility and by leading through example.

Money, Today and Tomorrow

One good way to get kids interested in spending and saving is to teach them something about the history of money. This will help them understand money not only as a medium of exchange, but also as a commodity that can be saved for future use.



Prehistory • Agricultural products
Money was what you grew or hunted. Everything from grains to game was traded, but it was hard to make change.



700 B.C. • Gold coins
Coins represented a great leap forward in portability and convenience. This Metapontum gold piece is from 350 B.C.



1661 • Modern paper money
During a coin shortage, Sweden became the first European country to issue printed paper money.



1700 • Checks and bank drafts
Checks let people move money readily, access it without carrying it, and make exact payments. Currency was no longer a prerequisite for payment.



1973 • Credit cards
Credit cards made purchasing even more convenient, as banks began communicating transaction information through computers.



1988 • ATMs
ATMs proliferated worldwide, providing consumers with convenient, secure access to money and account information.



1991 • Debit cards
Debit cards extended card functionality to the deposit account, making it much more convenient for consumers to shop and pay bills.



1996 • Chip cards
Chip cards, sometimes called "smart cards," offer the latest technology to support a variety of new uses beyond traditional payment methods.

Help Kids Understand Money and Its Value

Ask your kids what kinds of things they value and would use as money, such as trading cards, books, action figures or video games. Provide them with examples of items that other cultures used for currency. This will help them understand financial value, exchange, and what money stands for.

In the past, people used things of practical value such as sea shells, cattle, bullets, beads (wampum), clusters of tobacco leaves, and small bits of metal to exchange things. As recently as the 1940s, during Germany's postwar economic collapse, chocolate bars and packs of cigarettes were used as money.

Money circulates continuously through our social and financial system. The employer pays wages to employees; they use the wages to pay the grocer and the auto mechanic, who use the money to pay their own suppliers and employees. Some of the money that changes hands will end up in savings banks or stocks and bonds where it is used by businesses to buy more goods and services and to employ more people.



Working, Earning,

How your family earns, spends, and saves money reveals a lot about your lives and what you value. Talk to your kids about what you do for a living, and explain how working provides shelter, food, clothing and other necessities for your family. Take them to the workplace to get them to understand exactly what you do on the job. This will show them the intimate connection between work and money.

In the past, the relationship among work, money and well-being was much easier for kids to see. The family grew food for meals and made many tools and toys by hand. Today's kids need more help in understanding the role of money in their

daily lives. The most important lesson is that before money can be spent, it first must be earned.

To begin your family's money education, explain coins and bills. Kids can understand coins and bills when they are learning to count, at about the age of three. Family outings can provide opportunities to show them how money works. For example, kids can learn from watching you exchange bills and coins for food in a restaurant or supermarket.

Once they understand that money is used to buy things, it may be time to find out what your kids think about money. Ask them what they hear about money and our



SUCCESS PRINCIPLE #3: Clarify your vision and your values.

Money plays an important role in our lives and has come to symbolize a measure of success. How your family spends money is a direct reflection of your family's values and standards. Invest time in defining what success looks like for your family—use both your mind and your heart. This definition will provide an important backdrop for setting goals, making decisions, and establishing priorities. Also, you will ensure that your family budget reflects your family vision.



Teaching and Learning

economy in school and on TV. Ask them how they feel about what they hear. This can help you learn how your family is absorbing information about money and consumerism.

Consider some practical ways to teach your kids about money. For example, you might take them to the supermarket and use discount coupons, particularly ones they've clipped themselves in advance. This involves kids in decision-making and shows them how to get good value for money -- the basis of sound financial management. Remember, there are opportunities to teach kids about money and values every day.



NEED IT
 WANT IT

NEED IT
 WANT IT



NEED IT
 WANT IT



Helping Kids Understand Needs and Wants

Long before they understand the concepts of saving, investing or borrowing, kids sense the power of spending money. They see grown-ups show off their latest purchases, hear them talk about a relative's new car, or watch while they give thanks for presents.

One lesson about money and finance involves differentiating between wants and needs. This distinction is essential for developing good money management skills. Without this foundation, kids may have trouble controlling their spending as adults, never appreciating the difference between a luxury and a necessity. You can develop a WANT IT-NEED IT list for your family that shows the difference between desires and necessities. The list can help them understand the difference between wanting comic books and candy bars and needing clothes. You can make this into a game by having your kids list several things they own and decide which of them are necessities. They can then do the same thing with things they would like to own.



Working, Earning, Teaching, Learning **Financial Family Tree**

Today's families make more use of money than people did in the past. Two hundred years ago, many families grew much of their own food and made many of the things they needed. As time went on, people produced less and less of the things they used, and this made money a more important factor in running a family.

You can help your kids understand this concept at the same time you develop in them an understanding of how the role of money gradually changed. Tell them what you know about how earlier generations of your family earned a living. Then help them fill in the family tree below, using photos or drawings to identify family members.





Allowances and

Kids start to understand more about the value of money around the age of six, once they have mastered a few basic math skills. They can then start handling money on a limited basis. Most families start to give kids allowances at this age.

Allowances should be age-appropriate and should increase over time. If they are earned by performing household chores, allowances can be powerful tools for teaching children about the connection between work and money. But even when they are not related to chores, allowances give kids a sense of pride and responsibility in handling their own money.

As kids get older, you can give

them larger allowances and more responsibility over how they spend their money. For example, by age eight, youngsters often want to do extra chores for additional spending money. Help them by requiring that they spend part of their allowances on certain items, such as toys or clothes. This practice can reinforce their independence and sense of responsibility, at the same time that it allows them to learn the basics of spending and saving for themselves.

SUCCESS PRINCIPLE #4: Visualize and affirm your success.

Discuss and create a clear image of family success and continually reaffirm every small accomplishment that leads your family closer to its goals. Remember, while your visions may change and grow, good values remain the same.

Once a goal is set, don't give up. Have each family member write down a statement about the family goal on an index card. Put the cards in a place where they can be seen daily.

State all goals in the positive. Focus on what you want, not what you don't want.



Handling Money

Let your kids "interview" you about you and your childhood allowance so they can learn what was important to you as a kid in terms of wants and needs.

How old were you when you got your first allowance?

How much was it?

What was the first thing you can remember buying with your own money?

Did you have a special place to save your money?

Did you ever put your allowance in a bank account?

Did you ever buy clothes with your own money?

