

A pink piggy bank is positioned in the background, slightly out of focus. In the foreground, several coins are scattered on a light-colored surface. The text is overlaid on the image, with 'Spending' in blue and the rest in yellow.

**Spending,
Saving
& Making
Your
Money
Work**



It's Never Too Early to Start Saving...

These days there are so many things going on in your life: with school, sports, clubs, friends and your family. It can feel like you never have a free minute, and it may seem hard to manage it all. At your credit union, we want to help. Although we can't eliminate your chores, or convince your teachers to give you less homework, we can help you save some money for the things you really want to do.

Eventually you'll be on your own, with your own home, car and the job of your dreams. Developing good spending habits now will give you a great head start for the future. With this in mind, we've come up with this booklet.

As you read, you'll learn:

- ★ Some great ways to earn extra money
- ★ How to earn more with the right education
- ★ To make good choices about spending and saving
- ★ Why you should open a savings account
- ★ How to get the things you want for less
- ★ And more!

Be sure to pay special attention to the Building Blocks on each page. They contain extra tips on spending and saving. You'll be an expert in money management before you know it!

Earning Money



You're growing up and assuming more responsibilities. And maybe you're getting an allowance for some of those chores you do around the house. Perhaps your relatives have finally started giving you cash for your birthday instead of some goofy present that you'll never use. It's great to be able to buy the things you want without having to ask your mom or dad for money.

And now that you've gotten a little taste of financial freedom, you want more! But how can you earn money if you're under 18? Here are a few suggestions:

Get a part-time job. Many retail stores and restaurants will hire young people to work a few hours after school and on weekends.

Referee at local youth sporting events. You may have to attend a training class, but then you can earn between \$15 and \$20 a game.

Baby-sit. It's an old standby. If you're good at it, you can make decent money and have fun too. Advertise your availability to your neighbors and at local childcare centers and churches.

Tutor younger kids. Ask your guidance counselor or check with local community centers to find out if there are younger children who need tutoring.

Do extra work around the house. Talk to your parents and neighbors to

find out what extra chores you could take on to earn more money.

Walk dogs or pet-sit. A lot of people in your neighborhood have pets. Ask about providing pet care while they're out of town. If you have dog-owning neighbors who work long hours, offer to walk their dogs after school.

Do yard work. Find out if neighbors need help with yard work. Elderly neighbors may especially welcome assistance with tasks such as mowing the lawn, raking leaves or shoveling snow.

Get a paper route. You may have to get up early, but delivering newspapers is a great way to earn some money.

Give these ideas some thought and select the ones that interest you. What other ideas can you think of for earning money?

Building Block #1

Pay yourself first.
Each month, before spending any money, put a small amount in an account specifically for long-term goals and unexpected emergencies.

Learn More & You'll Earn More

Now that you're earning some money, you may start dreaming about getting a "real" job, and making the "big bucks". With so many careers to choose from, you may not know what you want to do yet. Just remember, a good education is the key to earning a higher salary.

High school dropouts earn an income of \$10,839 a year on average*

High school graduates earn an average annual income of \$18,571*

That's a difference of \$7,500!

Plus, if you go on to college, your average income will be even higher. Check out the salaries and education requirements for the occupations below:

Occupation	Starting Salary	Education Required
Accountant	\$34,500	4-year College Degree
Biologist	\$29,000	4-year College Degree or more
Chemical Engineer	\$46,900	4-year College Degree or more
Computer Science	\$45,700	4-year College Degree
Dentist	\$110,600	Graduate Degree
Flight Attendant	\$13,700	High School Diploma
Hospital Administrator	\$40,000	4-year College Degree or more
Journalist	\$24,000	4-year College Degree
Nursing	\$32,927	4-year College Degree or more
Optometrist	\$55,000	Graduate Degree
Teacher	\$25,700	4-year College Degree

Source: Occupational Outlook Handbook, 2002 Edition

Have you thought about what you'd like to be when you finish school? List some of your ideas below, and find out more about the occupations you've listed. A good place to start is the library or your school's career center.

- _____
- _____
- _____

*Source: Income in 1999 by Educational Attainment for People 18 Years Old and Over, U.S. Census Bureau, December 19, 2000.

Building Block #2

Know your income.

Before committing to long-term expenses, estimate how much income you'll receive over the life of the commitment.

Consider the expenses you already have, as well as any surprises that might come up.

Making Sound Financial Choices

There's never enough money for all the things you'd like to have. Spending your hard-earned money means making choices. Play the money game below to help you decide what's most important to you in terms of your spending.

The Money Game

How to Play: Pretend that you've been given 20 Xs for allowance. This will be your budget. In each section there is a list of things you can purchase. More expensive items will cost you more Xs. You must X all of the boxes for each item you choose. If the item is free, simply circle "no boxes". You can select more than one option in each section. Just don't use more than 20 Xs total.

Ready, Set, Spend!

Recreation

- Spend time with friends at home or in the park. (no boxes)
- Go skating, bowling, or swimming.
- Rent a movie or video game.
- See a movie at the theater and buy a snack.



Snacks, Drinks, Meals

- Fix snacks and meals at home. (no boxes)
- Buy school lunch.
- Buy snacks from convenience stores or vending machines.
- Buy fast food.



Savings

- Put spare change in piggy bank.
- Make regular deposits in a savings account.
- Regularly purchase savings bonds.



Clothing

- Mix and match current clothing. (no boxes)
- Shop at garage sales or thrift shops.
- Shop at discount stores.
- Shop at department stores.

(continued on the next page)

Saving Money

Do you find yourself spending every cent you get? That may be okay if your parents pay for all of your expenses—but what if they don't? That's when savings comes into play.

Why do you need to save money? Here are four important reasons:

- 1. Emergencies.** You forgot to put your skateboard away last night and it was stolen. Your parents refuse to buy you a new one because it was your responsibility to bring it in. If you don't have any money saved, you'll be sitting at home next Saturday when your friends are at the Skate Park.
- 2. Current Expenses.** Need money for new clothes, CDs or movie tickets? What about a present for Mother's Day? Mom's special day is in the same month as that concert you've been waiting for. Where will you get the cash for both expenses? If you've set aside some savings, you'll be ready.
- 3. Future Purchases.** Dreaming of getting a car when you turn 16? What about going to college when you're 18? Where is the money going to come from for these major expenses? While driving and college may seem far in the future, they're really only a few years away.
- 4. Investing.** Before buying stocks or bonds, you need to make sure you have items 1-3 covered. Once you've taken care of the basics, you're ready to really put your money to work.



Gifts

- Make your own. (no boxes)
- Buy cards and small gifts on special occasions.
- Buy expensive gifts for everybody.



Hobbies, Books and Games

- Borrow or trade with friends; use supplies on hand. (no boxes)
- Buy used or at discount stores.
- Buy new at specialty stores.



Sports Equipment

- Borrow. (no boxes)
- Rent.
- Buy used.
- Buy new.

More Choices

- Magazine subscription
- Dance, fitness or music lessons
- Private phone line
- Tickets to a concert or game

When you're finished, answer these questions: What did you spend most of your money on? What did you learn about yourself from this activity?

Now, try the game again with only 12 Xs. Decide what you're going to give up or change in order to cut eight Xs.

Review your choices again. How did your spending change? What was the first item you gave up? What was hard about choosing between options?



CDs

- Borrow from a friend or the library. (no boxes)
- Buy used at garage sales or resale stores.
- Buy new.

Building Block #3

Budget your money.

Create an annual budget of your expected income and expenses. This will serve as a guide to help you live within your means, and that's a great lesson to live by for the rest of your life!

Building Block #4

Don't expect something for nothing.

Be wary of advertisements, salespeople or other sources promising anything free. There's usually a catch. Remember this always: if it sounds too good to be true, it probably is.



Making a Savings Plan

So how do you make yourself save money? It isn't easy. It takes a little practice and a lot of discipline. A good way to start is to develop a savings plan. Just follow these steps:

Step 1: Pledge to stick to your plan. One you've created it, you gotta follow through.

Step 2: Figure out how much money you have coming in each month. Count your income from your allowance, part-time job and any other sources.

Step 3: Work out how much you want to save. Divide the money into several different categories:

- ★ Everyday expenses
- ★ Savings for large purchases
- ★ Savings for the future
- ★ Savings for investments

Step 4: Put your plan in writing. Keeping a simple plan like the one below will help you track how much money you have coming in and how much you spend. This will help you figure out where you can cut back.

Step 5: Set spending limits. Since you only have a limited amount of money, you have to make choices about where you can spend it.

Step 6: Adjust your plan as needed.

If your plan isn't working, you can always change it. But be honest with yourself about why it isn't working. Is it because your numbers aren't realistic? Maybe you need to change your habits in order to make the numbers work.

By tracking where your money goes, you'll start to understand your limits and learn how to shift money between spending and saving. In time, you'll figure out how to make the most out of both. That's called managing your money.

Your Savings Plan

A savings plan shows you where your money comes from, how much there is and where it goes. Each week, enter the following in a notebook:

- ★ All the money you earned and where it came from
- ★ Where and why you spent your money

Always date your entries so that you can see how often you spend. The chart on the next page will give you an idea of some of the headings you might use.

Now take a look at where you spend your money. Do you find that you overspend in several categories? By keeping track, you'll learn about your spending habits. Then you'll start to see ways to save.

INCOME	
Allowance	
Part-time job	
Miscellaneous jobs	
Gifts	
Money others owed to me	
TOTAL INCOME	

EXPENSES	
Money I owed to others	
Savings for big purchases	
Long-term savings (car, college, etc.)	
Savings for investments	
Gifts for family and friends	
Transportation (public transit, gas)	
Lunch at school	
Eating out/snacks	
Clothes/shoes	
School events (games, dances, etc.)	
School supplies/field trip fees	
Telephone bill	
Toys/hobbies	
Books/magazines/video games	
CDs and DVDs	
Movies/concerts/sporting events	
Other expenses	
TOTAL EXPENSES	

Building Block #5

Map your financial future.

Take the time to list your financial goals for the next few years. Then come up with a realistic plan for achieving them.

Savings Accounts and Earning Interest

Now that you've set some savings goals, it's time to make your money work for you. How do you put your money to work? By saving at the credit union! The credit union will pay you interest for keeping your money in a savings account. Here's an example of how interest works:

If you save a dollar a day in a jar in your room, after ten years you'll end up with \$3,650. That's more than a small chunk of change.

However, if you save that dollar a day in your credit union savings account, earning 2.5% interest, you'll end up with \$4,147. That's an extra \$497!

Where does this extra money come from? It's the magic of compounding interest. Compounding means that if you save the interest that your money earns, it will earn interest, too. That's right; you can earn interest on your interest.

As you save more money, you'll discover ways to make your money work even harder. There are savings products that pay even more interest than savings accounts. For example, money market accounts, bonds and certificates of deposit. You can find out more about these products at the credit union.



A Special Savings Rule

Want to know how long it will take to double your savings? Here's a special rule that will help. It's called the "Rule of 72":

- ★ Divide 72 by the interest rate you expect to earn on your savings. This will tell you the number of years it will take to double your money. Since we used 2.5% interest earlier, let's stick with that:

$$72 / 2.5\% \text{ interest} = 28.8 \text{ years}$$

- ★ You can also divide 72 by the number of years in which you want your money to double. This will give you the interest rate you'll need to make it happen. For example, if you want your money to double in 15 years, use the Rule of 72 this way:

$$72 / 15 \text{ years} = 4.8\% \text{ interest}$$

Building Block #6

Start saving young.

Recognize that your total savings are determined both by the interest you earn on those savings and the time period over which you save. So the sooner you start saving, the more money you'll have over time.

Saving Money While You Spend

Saving money isn't just about putting money in a savings account. You can also save money by being a smart shopper. Here are some ways to stretch those dollars:

1. Don't impulse shop

When you're hanging out with friends at the mall, don't buy something just because you think it looks cool. First, step back and ask yourself the following questions:

- ★ Do I really need this item?
- ★ Am I sure that I'll use it or wear it?
- ★ If I make this purchase, can I still pay any debts I owe?
- ★ Can I find this item cheaper or on sale somewhere else?

2. Shop the sales

If you shop the big sales to buy needed items, your shopping will stay focused and you'll get more for your money. See something you like that's not on sale? Ask the salesperson if it will go on sale in the near future.

3. Shop places other than the mall

The mall is one of the most expensive places to buy things. Try these stores instead and save some cash:

- ★ Outlet Stores – these stores offer good deals on popular brands. The clothing may have only have slight flaws that are not easily seen.
- ★ Discount Stores – not everything you wear has to have a logo on it. Shop discount stores to cut corners on less important wardrobe items like underwear, belts and socks.
- ★ Consignment or second-hand stores — most of these stores will only sell clothing that's in good condition. You can get some real

bargains on videos and computer games too.

4. Go to matinees and discount theaters

Movies are expensive. Here are a few tips to help you save money:

- ★ Look in the newspaper for discount theaters. They show the same movies as the regular theater, just a couple of months later. And you'll save a few bucks on the ticket price.
- ★ Get a group of friends together on a weekend or day off from school and go see a matinee (usually a show before 5 p.m.). Matinee tickets are two to three dollars cheaper than the standard price.
- ★ Don't spend money on refreshments at the theater. Eat before you go, bring a snack with you or go out to eat after the movie.

5. Don't waste money on sub-par products

Products are sometimes exaggerated in their advertising. Research items before you buy them to be sure that they do what they're advertised to do. Check out consumer or specialty magazines and read their reviews and comparisons.

Building Block #7

Compare the features.

Choosing between two similar products? While one may be slightly cheaper, it may not perform as well or last as long as the one that costs a little more. A lower price may not be a better value over time.

Investing Money

You've finally saved your first \$500. Now, where should you put it? It depends. You've got lots of choices:

- ★ Savings Account
- ★ Money Market Account
- ★ Share Certificate
- ★ U.S. Savings Bond
- ★ Mutual Fund
- ★ Stock Market

You'll need to decide which option is best for you. Some are riskier than others, some are more accessible and some will earn you more money. Before you put your cash in one of these investments, weigh these factors:

Liquidity

Liquidity means how quickly and easily you can take your money out of an account or investment and turn it back into cash. This will differ depending on the type. For example, funds in savings accounts are relatively easy to withdraw, while U.S. Savings Bonds are a long-term investment.

With some investments, you may have to wait until a maturity date before you can get to your money or pay a penalty for withdrawing your funds early. Be sure to ask about this prior to investing.

Safety

Credit union accounts are considered very safe. Money in the credit union is typically insured up to \$100,000 or more. If anything happens to your savings, money market or certificate account, your money will be replaced. U.S. Savings Bonds are also insured. If

you invest in the stock market or buy mutual funds, this is not the case.

Risk and Reward

There is risk with mutual funds and stocks because no one insures your investment. If the stock price drops, you lose money. However, if the price rises, you may earn a large amount of cash.

You should consider the stock market only after you have made some safer investments. While higher rates of return are tempting, keep in mind that they are not guaranteed.

Fees

Credit union savings accounts typically have little or no fees. There's also no fee to purchase savings bonds. Mutual funds, on the other hand, typically have management fees. Also, stock market trading fees are assessed when stocks are bought or sold.

Be sure to explore all the savings options offered by your credit union. You may be pleasantly surprised!

Building Block #8 High return equals high risk.

In most cases, the higher the interest rate, the higher the risk of losing some, or all, of the money you invest.

Owing Money

According to the National Credit Research Association, 55% of students ages 16 - 22 have a major credit card.

As you grow older and start earning more money, you'll probably take on some debt (also known as credit) in the form of auto loans, credit cards and eventually a home loan or mortgage. If you're considering your first credit card, answer the questions below to determine your credit risk profile. These true or false questions will help you predict how well you'll manage your card.

1. _____ Having a credit card will give me a sense of security.
2. _____ I will probably purchase more from retailers who extend credit.
3. _____ I often pay for meals or purchase gifts to impress others.
4. _____ Credit cards will help me improve my lifestyle.
5. _____ Having credit will allow me to buy major items I want now.
6. _____ I often argue with others about my overspending.
7. _____ My savings account balance will be negatively affected by my credit card payments.
8. _____ I often have trouble remembering how much I've spent in a day.
9. _____ Others I know overspend, but it doesn't seem to hurt them financially.
10. _____ My closet is full of things I've only worn once or twice.
11. _____ I've purchased many things that I later wished I hadn't.
12. _____ I've borrowed money from relatives and friends and I haven't paid it back.
13. _____ I make impulse purchases to cheer myself up.
14. _____ I plan on charging things that will be used up by the time the credit card bill arrives (meals, gas, etc.).

How did you score?

- 0 True A true creditworthy person, you spend wisely.
- 1-2 True Observe caution signs. Strengthen your financial self-discipline now, before you get out into the "real world".
- 3-5 True Danger ahead. Look for ways to improve your spending practices, such as comparison-shopping, and increase your savings through better spending.
- 6-10 True Don't be a credit addict. Take steps now to curb your impulses. Still want that credit card? Consider a debit card instead. That way, the purchases come directly out of your credit union account and you can't spend more money than you have.
- 11-15 True Financial meltdown ahead. Avoid credit cards at all costs.

When you're ready to jump into the credit world, be sure to check out your credit union first. Our interest rates on credit cards and other loans are typically lower than those of other financial institutions.

Building Block #9 Your credit past is your credit future.

The three credit bureaus maintain credit reports. These will record your history of loan-repayment. Negative information on your report will affect your ability to borrow in the future. This will become important when you look to buy a car or home.

Getting a Credit Card

Obtaining credit is a big step. Before you sign on the dotted line, make sure you understand what you're signing up for. Look at the following:

Interest Rates: How much do you want to pay to borrow money? 21%, 18%, 12%? Are you earning that kind of interest on your savings? No! Be smart; shop for the lowest interest rate you can find. When you compare interest rates, always make sure that the rates you're looking at are the annual percentage rates (APRs). That way you're comparing apples to apples.

Late Payment Penalties: If you're ever late on a loan payment, you'll find out that late payment fees can be really high. You could be charged a \$35 late fee on a \$50 monthly payment! Always make sure you know how much the late fees are. Then avoid paying them late by mailing your check several days before the due date.

An even better way to avoid late fees is to sign up for automatic bill payment from your credit union account. That way, the money will come out of your account automatically on the day that the payment is due. There is no risk of forgetting!

Beware of Introductory Offers: Some credit cards charge little or no interest for the first six months to one year, but after that the rates go up. Read the terms of the credit card carefully so you know what the rates will be. Regular rates can be a real surprise.

Annual Fees: Some credit cards have annual fees; some don't. If the card has a fee, check out the reason for it. Does the

card offer benefits, such as store discounts or travel rewards? If you don't need the benefits offered, pick a card with no annual fee. There are plenty out there.

You can find all of this information in the "Fed Box" of each credit card promotion. It will look similar to the example below.

Visa Classic	
Annual percentage rate (Purchases)	9.9% Variable Rate
Annual percentage rate balance transfers and cash advances	9.9% Variable Rate
Grace period for purchases	You have 25 days to repay your balance for purchases before being charged a finance charge.
Method of computing repayment of balances for purchases	Average Daily Balance including new purchases
Method of computing repayment of balances for cash advances and balance transfers	Finance charges accrue from date of advance, or first day in billing cycle in which the cash advance is posted to the account, whichever is later.
Annual fee	NONE
Transaction fee for purchases	NONE
Transaction fee for balance transfers and cash advances	NONE
Late payment fee	\$20
Over-the-credit-limit fee	\$20
Minimum finance charge	None
Minimum monthly payment	3% of balance or \$10, whichever is greater

Building Block #10

Be a responsible borrower.

Don't borrow what you can't repay. This helps build good credit history and shows that you are worthy of getting credit in the future.

Building Block Word Search

Have you been paying attention to the Building Blocks on each page? Test your knowledge by filling in the blanks. Then find the words you added in the word search.

1. Pay _____ first.
2. Know your _____.
3. _____ your money.
4. Don't expect something for _____.
5. _____ your financial future.
6. Start _____ young.
7. Compare the _____.
8. High return equals high _____.
9. Your credit _____ is your credit future.
10. Be a responsible _____.

(Words are hidden forwards, backwards, down and diagonally.)

Z	R	I	V	G	R	U	E	E	H	T
S	Y	N	C	W	Z	M	A	P	C	P
F	B	O	R	R	O	W	E	R	P	G
C	U	T	U	C	P	H	S	O	R	H
M	D	H	N	R	D	D	N	F	G	U
K	G	I	F	I	S	A	V	I	N	G
L	E	N	S	S	N	E	D	G	F	U
L	T	G	Q	K	D	P	L	V	Y	W
K	S	E	R	U	T	A	E	F	O	L
U	Z	S	D	S	M	S	Z	X	B	G
N	V	P	Z	I	F	T	T	P	J	I