A supplement to
Junior Scholastic®
THE CURRENT EVENTS MAGAZINE
from T.RowePrice®
INVEST WITH CONFIDENCE

MONEY CONFIDENT Kids®

With tons of spending opportunities, do you feel equipped to **make smart money choices**?

SCHOLASTIC

Check out Star Banks Adventure, a financial education game at **www.scholastic.com/MCK**.

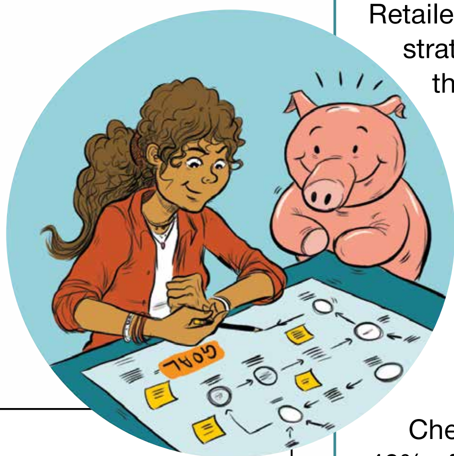
What's Your Financial Path?

You have goals. Big ones, most likely! But an overwhelming number of young people—83%—admit they don't know much about managing money.[1] And only 38% of young people say they are currently putting money aside to spend later.[2] If you're like most teens, your goals are a combination of short-term wants, like having some cash for a movie, and long-term desires, like saving for college or buying a car.

So here's the real question: What do *you* want and what's *your* plan for getting there?

First, stop thinking of money in two buckets—spending and saving. It's really all spending. The difference is whether you're planning to spend now or spend later.

Use this magazine and your own research to create a spending plan that will help you meet your goals. Keep track of your progress and don't be afraid to make changes if something isn't working.



Think About It

What	What's your goal?
How Much	How much do you think your goal will cost?
When	When do you want to reach your goal?
Calculate	Look at how much money you receive each year from jobs or gifts. How much do you need to put aside each month or week to achieve your goal? What spending choices do you need to make to reach your goal on time?

SPENDING Now

Every year $258 billion is spent on and by young people like you.[3] But do you really know what you're spending your money on? The average 12- to 14-year-old receives $2,767 per year from a combination of jobs and gifts.[4] Imagine that you really want a new tablet (cost: $750) to build a new app you're thinking about developing. That seems like a reasonable amount to spend based on an annual income of $2,767, right? You just need to tuck some money aside each month until you have enough to buy your dream tablet.

Here's the problem:

Retailers use a variety of marketing strategies to get people to spend their money now instead of later. *Impulse buys* are purchases that are made for immediate enjoyment, like a candy bar at the checkout, a T-shirt at a concert, or an extra snack at the movie theater. They are not planned purchases like the tablet we mentioned above.

Check the impulse! Approximately 40% of all purchases are impulse buys[5], so think carefully about your long-term goals before spending:

- Did I want this before I came into the store?
- Is there a sale sign, a coupon, or other advertising that is tempting me to buy this item?
- Is the price reasonable?
- How much longer will it take me to make my larger purchase if I spend now?

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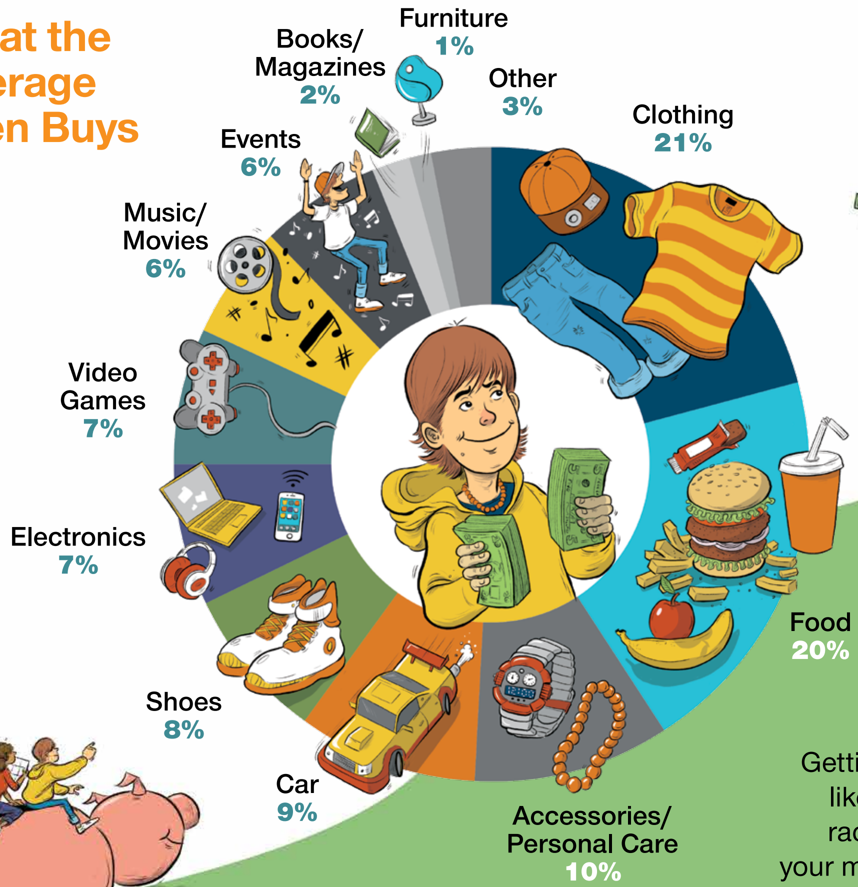
What the Average Teen Buys



SPENDING Later

Getting ready to make a big purchase like a used car, concert tickets, or a racing bike feels great! You can see your money grow, and anticipating your purchase gives you time to make sure you're getting the best deal.

PLANNING AHEAD

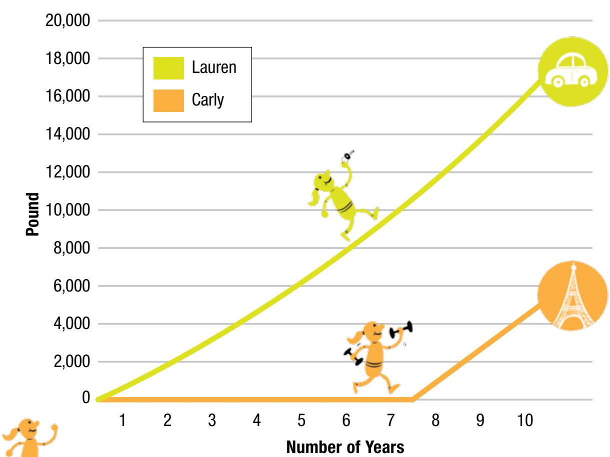
57% of teens said they were saving for clothes[6]

36% of teens said they were saving for a car[7]

What about you?

Twin Tales of Spending

Lauren and Cassidy are twins. When they were 12, they opened their first bank accounts. Lauren decided that she wanted to buy a car after college and put $100 a month into an investment account for the next 10 years with the allocation of 60% stocks, 30% bonds, and 10% money market funds. Cassidy decided to spend $100 a month for a gym membership. She kept her membership for seven years and then started putting $100 a month into a savings account to pay for a graduation trip to Paris. When they were 22 years old they looked at their accounts and were happy. Lauren had $17,202 and Cassidy had $3,628—goals met!



NOTE: This example assumes an annual rate of return of 7% for equity funds, 5% for bond funds, .8% for Money Market funds and 0.5% for a savings account.

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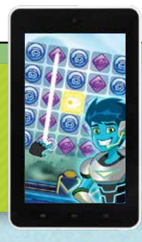


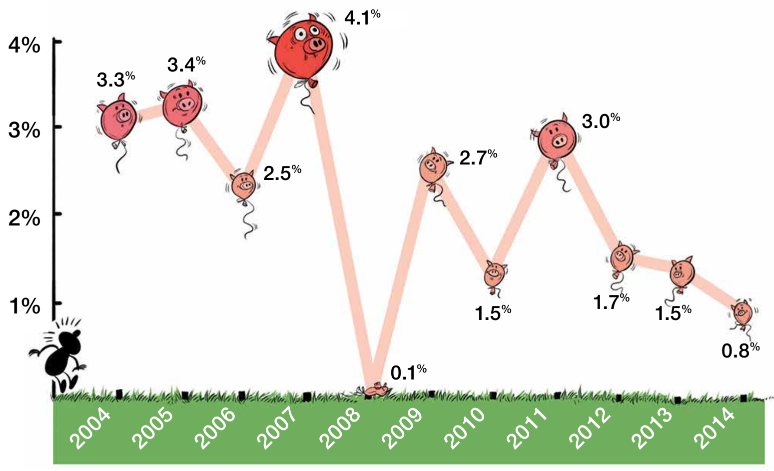
Sources: 1. ING DIRECT USA Survey (http://prn.to/1A4sdGw); 2, 3, 4, 6, 7. Marketingvox, Rand Youth Poll, *Seventeen* magazine, Packaged Facts (http://www.statisticbrain.com/teenage-consumer-spending-statistics/); 5. The Checkout conducted by The Integer Group® and M/A/R/C Research (http://www.prnewswire.com/news-releases/study-shows-nine-out-of-ten-shoppers-make-impulse-purchases-147733845.html).

The Value of Money

In 1908, Milton Hershey began selling one of the first mass-produced chocolates in the United States—the Hershey bar! The price was 2 cents, and the average American earned $574 a year.[8] Today, that same candy bar costs more than $1—a 4,900% rise in price.[9] This increase over time is called **inflation**. But what causes it?

Inflation happens for a variety of reasons, including market power, demand, and supply. **Market power** occurs when a company or group controls most (or all) of one particular resource. They can then set the price that they want, as long as people are still willing to pay it. When a lot of people want something, the increased **demand** raises prices. We see **supply**-related price increases when a product people want becomes less available. This inflation in prices causes money to lose value over time.

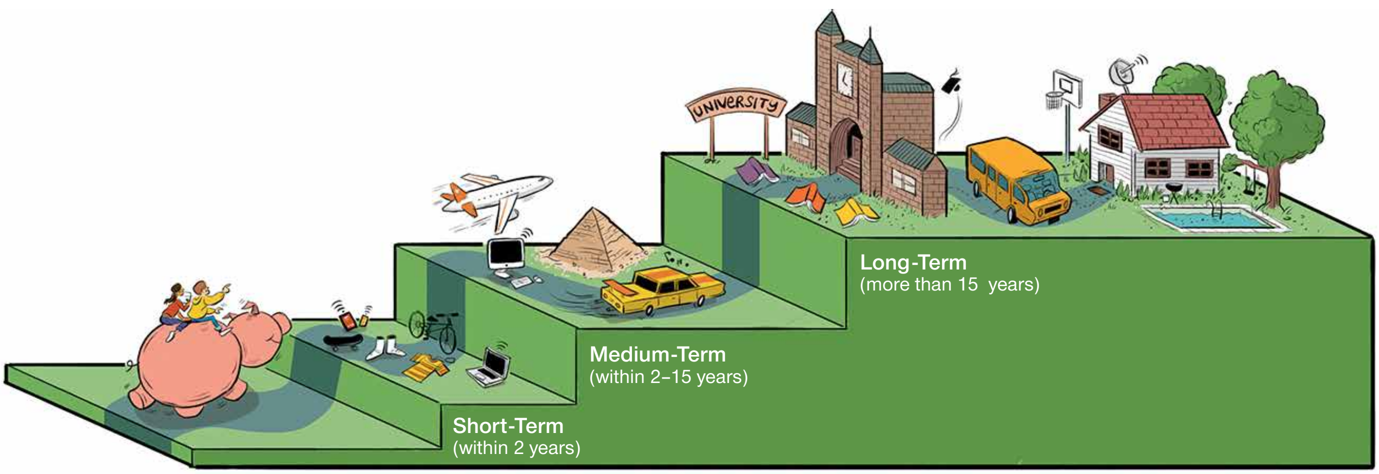
Inflation Rates (2004–2014)



Source: www.usinflationcalculator.com/inflation/current-inflation-rates/

LOOKING Ahead

Goals come in all shapes and sizes. But to create a solid financial plan, you need to know how quickly you want to reach them.



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MAKING MONEY Work

If you put money into a savings account, you will earn .17% in interest (on average[10]) each year. This means if you put $100 in a savings account when you're 10 (and don't spend any of it), you will have $101.70 in your account when you are 20 years old.

Now let's say you wanted to buy a bike with your savings. Today a great bike could cost you about $100. However, in 10 years an equally amazing bike would cost $134.39.

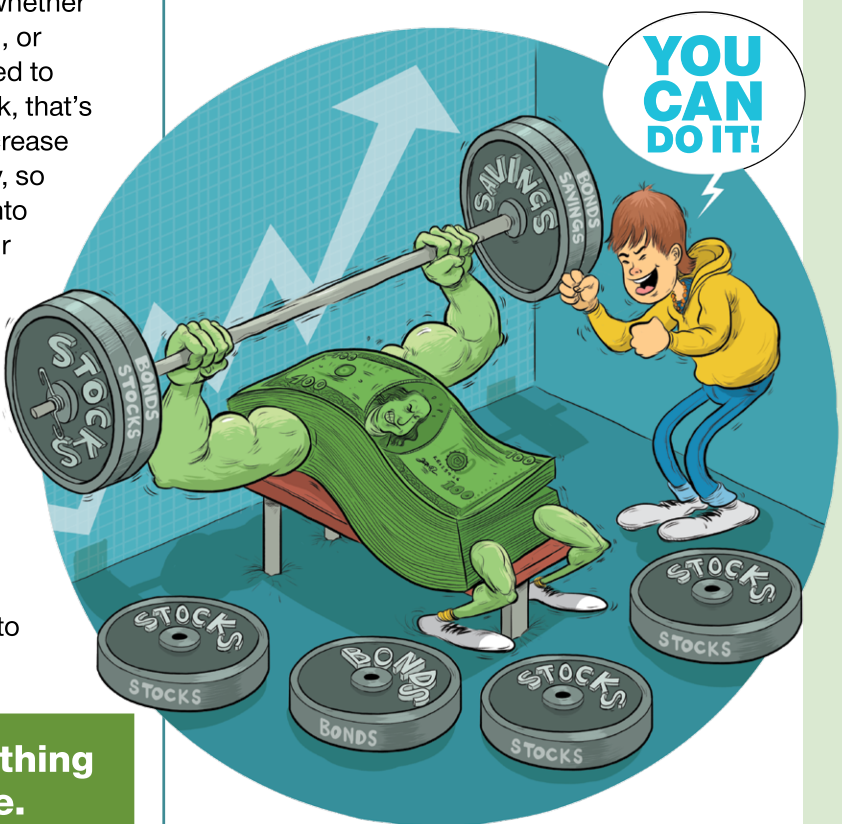
Due to inflation, your $100 might actually buy you less in 10 years! But you can keep that from happening.

Asset allocation is all about finding ways to make your money work hard for you before you need to spend it. First, decide whether your goals are short term, long term, or somewhere in the middle. If you need to buy a new soccer uniform next week, that's a short-term goal. Inflation won't increase the cost of your uniform that quickly, so it makes sense to put your money into a savings account (so it's out of your pocket and you're not tempted to spend it).

Starting a college fund when you're 10, however, is a longer term goal. You should consider strategies that will grow your college fund, such as investing in a combination of stocks and bonds. If you put in $200, you could have more than $200 once you're ready to start sending in applications!

An asset is something useful or valuable.

History shows that bonds and stocks can earn more money over time. In the short term, however, they are riskier than a simple savings account. Based on the time horizon of your goal, select a good mix of investments. You will need to make sure that you own a blend of different kinds of stocks and bonds. This mix is important because if you were to buy all the same kind of stock (such as fast-food or video-game companies) and people suddenly stopped purchasing those products, you'd be in trouble. However, a blend of stocks (which can be easy to get with a mutual fund) provides better protection. As your goal gets closer, you may want to move your money into a combination of bonds and a savings account.



Sources: 8, 9. Food Timeline (http://www.foodtimeline.org/foodfaq5.html#candybar); 10. The 10 Best Savings Accounts in 2015 (http://money.usnews.com/money/blogs/my-money/2015/01/16/the-10-best-savings-accounts-in-2015)

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Heads or Tails Savings Game

You have $1,000 after saving your money earned from summer chores! It's perfect timing because you're saving up for a high school graduation trip to Paris. You know that you need at least $2,700 to pay for flights, hotels, and souvenirs. Use a coin to play the game below and see how adding money to your savings account can help your money grow faster and help you meet your goal!

ACTIVITY

- **Goal: Vacation to Paris**
- **Time Horizon: 3 years**
- **Flip a coin to decide which action to take**

WHAT YOU'LL NEED

- **One coin**
- **15 minutes**

You earned $1,000 mowing lawns this summer

Decision Point: Flip a coin

Heads: You put $1,000 into a savings account earning 0.5% interest

Outcome: **$1,005 in account**

Tails: You put $1,000 into a savings account earning 0.5% interest + added $50/month to the account

Outcome: **$1,606 in account**

Year 1 :

Decision Point

Heads: You leave your money where it is

Tails: You start adding $50/month more to your account

Decision Point

Heads: You stop adding $50/month

Tails: You keep adding $50/month

Year 3 :

Outcome: **$1,015 in account**

Outcome: **$2,271 in account**

Outcome: **$1,623 in account**

Outcome: **$2,828 in account**

Goal:
Did you meet your goal of a Paris vacation?

Outcome:
How much is left in the bank?

Sorry! You didn't save enough money to go to Paris. You spend a week at home instead.

Sorry! You didn't save enough money to go to Paris, but you still have enough to go on vacation. You decide on a road trip to the beach.

Sorry! You didn't save enough money to go to Paris, but you still have enough to go on vacation. You decide to visit nearby relatives.

GOAL MET!
You earned enough to take your dream vacation to Paris!

Risk Management Decision Game

ACTIVITY

- Goal: Own a car
- Time Horizon: 20 years
- Roll the dice to determine your course of action

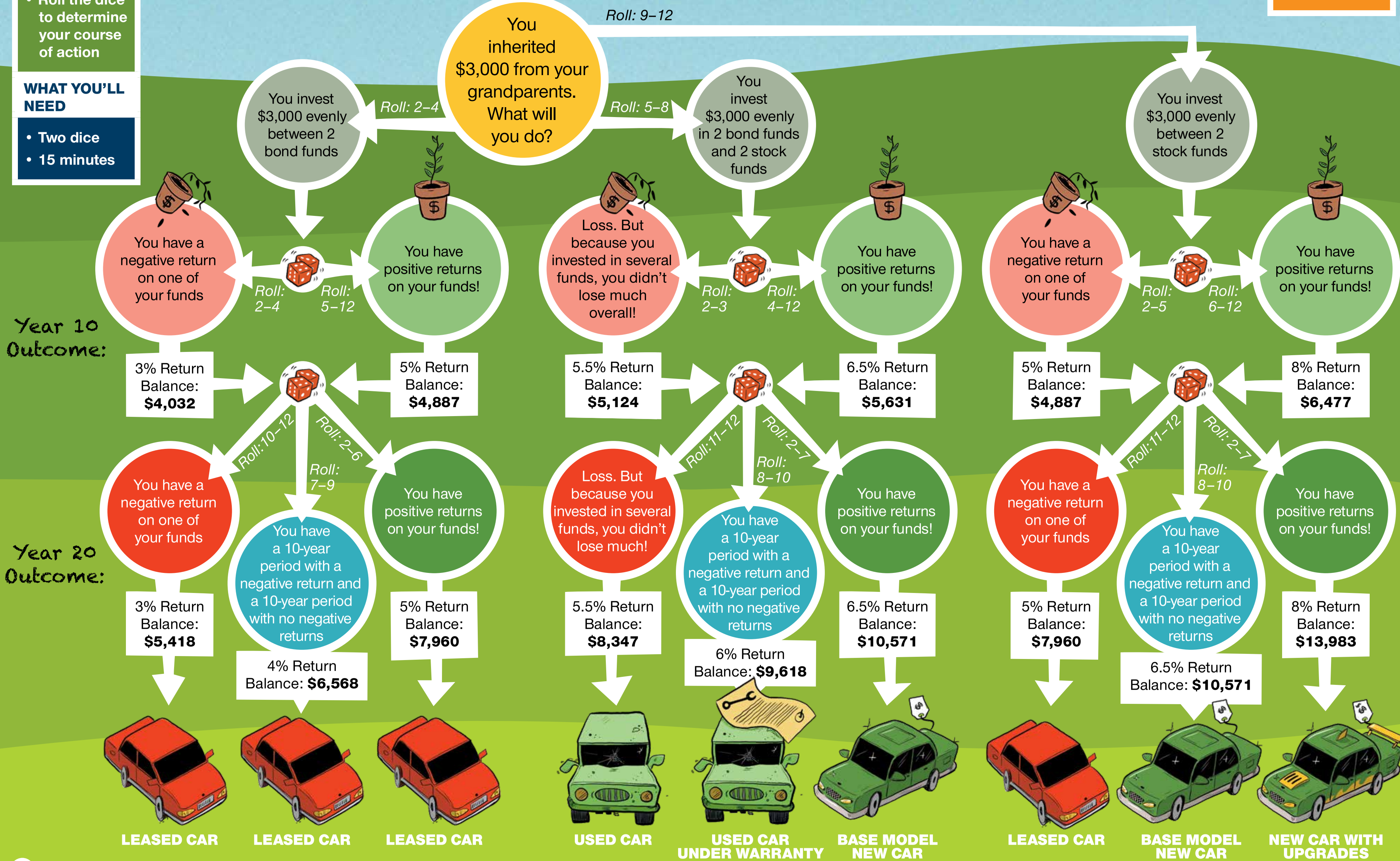
WHAT YOU'LL NEED

- Two dice
- 15 minutes

You've inherited $3,000! Now it's time to see the different ways that money can grow over time to help you achieve your long-term goals, such as buying a car. Roll your way through three different investment options and test the results! A **positive return** means that the stock or bond you invested in generated more money than you put into it. A **negative return** means that you lost some money you invested.

AVERAGE PERCENTAGE EARNED YEARLY IN RETURNS

- Stocks: 8%
- Bonds: 5%



*Note: All investing involves risk, including the loss of money you invest. Probabilities in this lesson do not reflect real returns and are used for teaching purposes only.

Getting to Your Goal

Steps you can take to identify and reach your dream goal now, five years from now, or 10 years from now!

1 DARE TO DREAM...

2 DECLARE YOUR DREAM

Write it down (yes, on paper!). Put it in places that you'll see often.

3 DRILL DOWN ON THE DOUGH

What do you think it will cost you? Write this down too and put it somewhere noticeable.

4 SET A DEADLINE

Knowing when you want to achieve your goal is important (this is called a time horizon). You'll want to know how long you'll have to wait!

5 CONSIDER YOUR INCOME

For many teens, more than 60% of their spending money comes from their parents.

6 DIVIDE AND CONQUER

Figure out how much you need to set aside each week or month to reach your goal and know you can spend the rest on other things.

7 ACHIEVE YOUR DREAM!

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