AMERICAN
CONSUMER
CREDIT
COUNSELING

The Credit Counseling Professionals

Dimes to Riches

Money Management for Teens in Grades 7-12

BY NOW YOU KNOW THAT MONEY DOESN'T GROW ON TREES & YOUR PARENTS AREN'T A BANK!

Life is getting busy and you need cash for things like nights out with friends, lunch money, school trips, prom, clothes, cars, and college.

It is time to take control of your money and learn money management skills. The smarter you are about your money the more money you will have!

The more responsible you are with your money now and the more you know about saving, spending, budgeting, and borrowing the more likely you'll be to make smart decisions about money in the future.

This packet contains information and activities to help you do the following:

1. EARN, PLAN, AND SAVE
2. DECIDE WHERE TO KEEP YOUR MONEY
3. SPEND SMART
4. BORROW SMART

START MAKING SMART DECISIONS ABOUT MONEY TODAY

1 EARN, PLAN, AND SAVE

First and foremost if you want money you need to earn it. Maybe your parents already give you an allowance but you want more. If you don't get an allowance maybe you do chores for neighbors to make money. Or better yet you have a summer or part time job.

The question is what you do with the money once you make it. Do you spend it as it comes in? Do you put any (or all) towards savings? Do you even know where all the money went once it's gone?

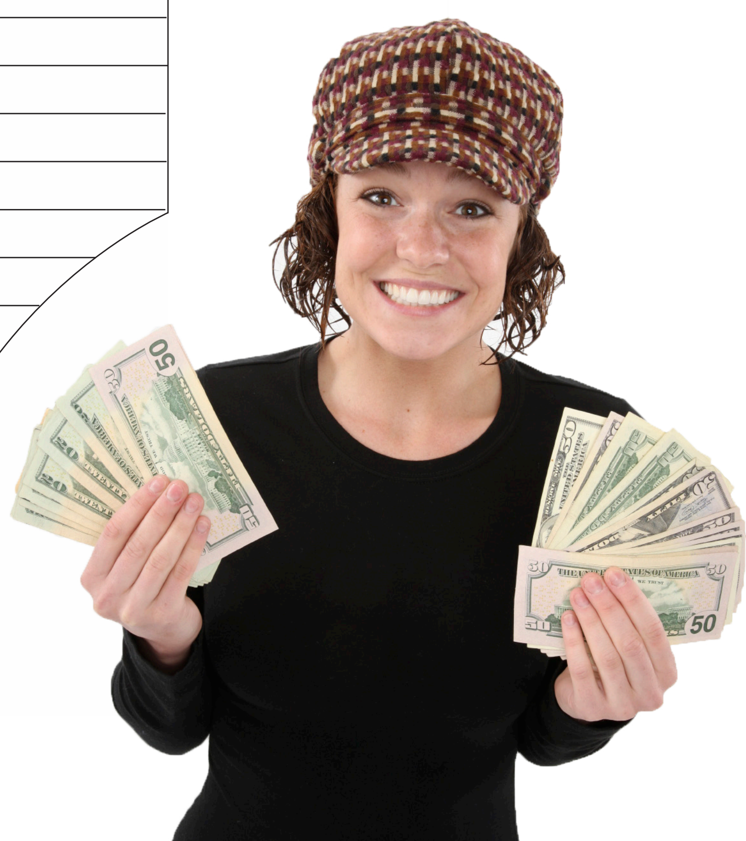
The first step to taking control of your finances is to figure out where your money is actually going every month. The best way to do this is to keep track of what you are spending your money on and how much you're spending (See A1 Below). Next, you need set SMART financial goals (See pg. 3) , and lastly you need a plan for your money, also known as a budget (See pg. 4).

A1. WHERE IS YOUR MONEY CURRENTLY GOING?

How much money did you spend last month and what did you spend it on?

In the space below write down every time you spent money last month and how much you spent each time. If you can't remember last month then start keeping track this month. Every time you spend money record it below.

ITEM	AMOUNT



SET SMART FINANCIAL GOALS

Saving is much easier if you know what you are saving for and how much money you need. The best way to do this is to set SMART financial goals.

Specific: What exactly needs to be accomplished? Who else will be involved? Where will it take place? Why do I want to accomplish this goal?

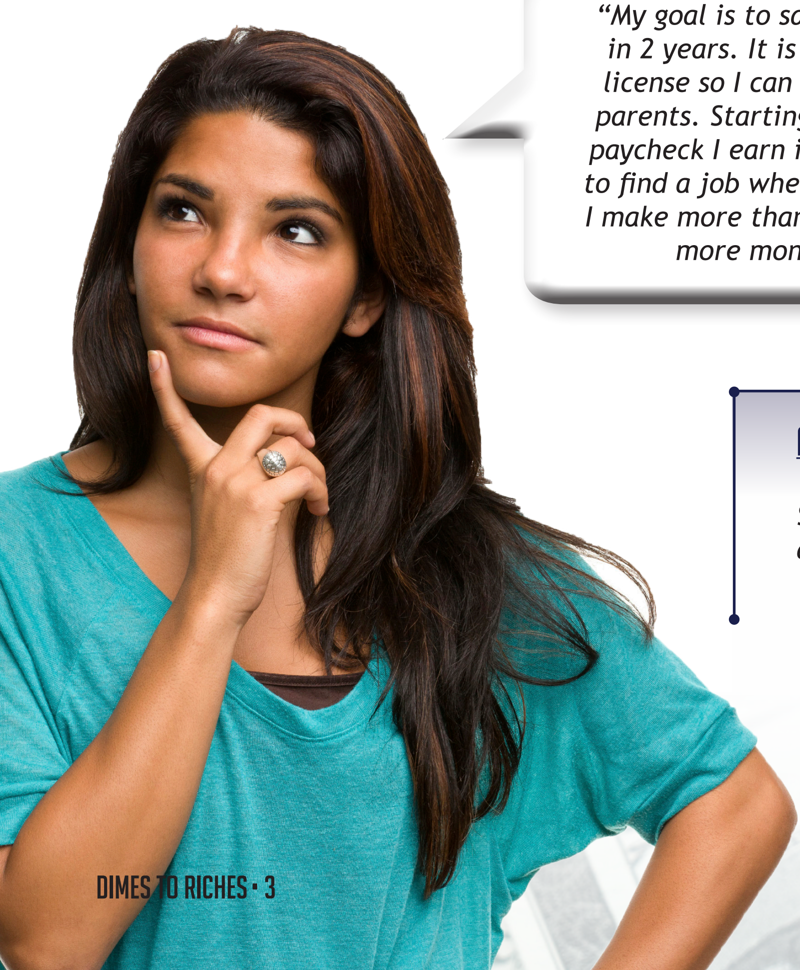
Measurable: How will I know I've succeeded? How much of a change do I need to make? How many accomplishments or actions will it take?

Achievable: Do I have, or can I get, the resources needed to achieve the goal? Is the goal reasonable for me? Are the actions I plan to take going to bring me success?

Realistic: Is it worthwhile for me right now? Is it meaningful to me? Will it delay or prevent me from achieving more important goals? Am I willing to commit to really achieving this goal?

Timely: What is the deadline for reaching the goal? When do I need to take action? What can I do today?

"My goal is to save $4,000 to put towards a car when I get my license in 2 years. It is important to me that I buy a car as soon as I get my license so I can get myself where I need to go without relying on my parents. Starting today for the next two years I will put 40% of every paycheck I earn into a savings account for my car. To do so, I will need to find a job where I take home (after taxes) at least $105 per week. If I make more than that per week I will still save 40% so I will have even more money in 2 years and can possibly buy a nicer car."



A2. SET YOUR OWN SMART GOALS

Set your own SMART financial goals using the guidelines and example above.

CREATE A BUDGET

Now that you have figured out where your money goes and you have set SMART financial goals it is time to create a budget. Your budget is a spending plan that details exactly how you're going to spend your money on the things you want and the things you need.

Budgets are a balancing act between income coming in and expenses going out. You either have to have enough money coming in to pay for everything or you need to cut back on what you are spending.

Here is a look at the components of a budget

INCOME: The money you receive. Examples: paycheck from a job, allowance, payment for odd jobs such as baby-sitting or lawn mowing, gifts, interest earned on a savings account, any other money you receive.

EXPENSES: What you spend money on. (Use the list you made in A1 to see what you typically spend your money on.

Expenses are broken down into different categories

FIXED EXPENSES don't change. They are often a monthly payment. Examples of fixed expenses would be a car loan. These are the easiest to plan for because you know exactly how much is due and when.

VARIABLE EXPENSES are the things that you pay for on a regular basis but the amount changes. Examples of a variable expense would be gas. You know you need to buy groceries every week but the cost varies week to week depending on what you need to buy.

PERIODIC EXPENSES are the expenses that occur occasionally every year. An example would be car repairs. These are things you don't have to deal with every month but you need to factor into your budget to make sure you have enough money for them when it comes time.

DISCRETIONARY EXPENSES are recurring or non-recurring expenses for goods and services which are either non-essential or more expensive than necessary. An example would be a gym membership. Although it is nice to have it is not a necessity.

SAMPLE MONTHLY BUDGET	
INCOME (after taxes)	
Allowance	$50
Part Time Job	$350
TOTAL INCOME	***$400***
EXPENSES	
Car Savings	$160
Cellphone	$75
Snacks at school	$40
Entertainment	$60
Clothes	$45
TOTAL EXPENSES	***$380***
DIFFERENCE	***$20***

A3. CREATE YOUR OWN BUDGET

Use the worksheet to build your monthly budget.

1. Calculate your income for the month and enter it into the income box.

2. Use the list you made in A1 to create spending categories and predict how much you will spend monthly in each category and enter those numbers into the expenses boxes. This section should include all your normal monthly expenses as well as financial goals you are working toward (also known as "pay yourself first." (See pg. 6).

3. Subtract your total expenses from your total income. If the result is a negative number that means you need to adjust your variable expenses or figure out a way to make more money. If it is a large positive number you can increase your "pay yourself first" amount and reach your savings goal even faster.

4. Live by the plan you have set.

5. Review and adjust your budget as needed. If you find it hard to stick with your plan every month then tweak it. If you are doing great and have extra money every month then start establishing more savings goals.

MONTHLY BUDGET	
INCOME (after taxes)	
TOTAL INCOME	
EXPENSES	
TOTAL EXPENSES	
DIFFERENCE	

SOME TIPS AND EXAMPLES FOR PLANNING AND SAVING SMART

PAY YOURSELF FIRST

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. This is known as "paying yourself first." treat your "pay yourself first" expenses as a fixed expense and you will get closer and closer to reaching your saving goals.

AFTER YOU FIGURE OUT YOUR BUDGET, FIGURE OUT A PLAN

Example: Every time you receive money put 40% into the savings account you intend to build for a couple years (for your first car), 35% into an account for weekly/monthly expenses, and 25% keep as spending money (for snacks or a trip to the movies etc…)

You can split up your money however you'd like. The importance is having a plan for your money and sticking to it. The example above would probably look different for an adult who has more expense and isn't saving aggressively for a specific item.

LEARN TO CUT BACK

If you want to save even more money try to cut back on what you spend per week and add it to your savings. Example: if you are spending $10 a week on snacks cut it back to $7 and put that $3 a week into your savings. It may seem small but it makes a big difference over time especially if you are putting your money in a savings account with interest payments.

Let's say you put your money in a savings account that pays you interest every year. After the first year the bank will pay you a percentage in interest The following year it will calculate the interest it pays you on the original deposit plus the interest you received from the previous year. Here is an example of compound interest:

For this example let's say you save $1000 per year in a savings account that pays you 3% interest compounded annually. The example below shows you how much you will have after 5 years. As you can see, you will earn $468.41 in interest! The longer you keep saving the more interest you will earn.

YEAR	INITIAL AMOUNT	INTEREST	AMOUNT AT END OF YEAR
1	$1,000	$30.00	***$1,030***
2	$2,030 ($1,000 deposit + $1,030)	$60.90	***$2090.90***
3	$3,090.90 ($1,000 deposit + $2,090.90)	$92.73	***$3,183.63***
4	$4,183.63 ($1,000 deposit + $3,183.63	$125.51	***$4,309.14***
5	$5,309.14 ($1,000 deposit + $4,309.14)	$159.27	**$5,468.41**

2 WHERE TO KEEP YOUR MONEY

Now that you have a plan for how you'll save your money, you'll need to decide where to save it. Up until now you have probably been keeping your money in a piggy bank or another safe place in your house or even in your parent's bank account. Once you start receiving checks or larger sums of money it may be a good time to open your own checking or savings account (if you aren't 18 yet you will most likely need the help of your parents or guardians to open a checking account).

Benefits of a checking or savings account

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.

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. Not to mention, it's also less tempting to spend your money if it's in the bank rather than in your room.

EASY ACCESS

There are many ways to send and receive 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. Just remember, if it is a savings account you are opening you don't want to be taking money out, just putting it in. A certificate of deposit (a CD) might be a good option for your long term savings account. It enables you to earn a higher interest rate the longer you leave the money untouched in the bank. This would be a great way to start your college savings. They often require a larger amount of money (i.e. $1000) to open. Ask your parents if they will help you out. Maybe you can put $500 in and your parents can match you by putting in $500. It doesn't hurt to ask.

Which type of bank account is right for you?

For your everyday checking or saving account you want to look for on that:

- TAKES VERY LITTLE MONEY TO START
- CHARGES LOW FEES OR NO FEES FOR HAVING THE ACCOUNT

Shop around from bank to bank to find the account that suits you best. Different banks and different accounts have different fees, features, interest rates, and opening balance restrictions. Some banks even have special accounts for teens that have parental controls on withdrawals.

IMPORTANT TIPS FOR USING YOUR BANK ACCOUNT

Record every withdrawal and deposit

Look at your bank statements every month and report any errors

Avoid any fees. Such as penalty fees for going below your minimum balance or usage fees for withdrawing money from other bank's ATM machines.

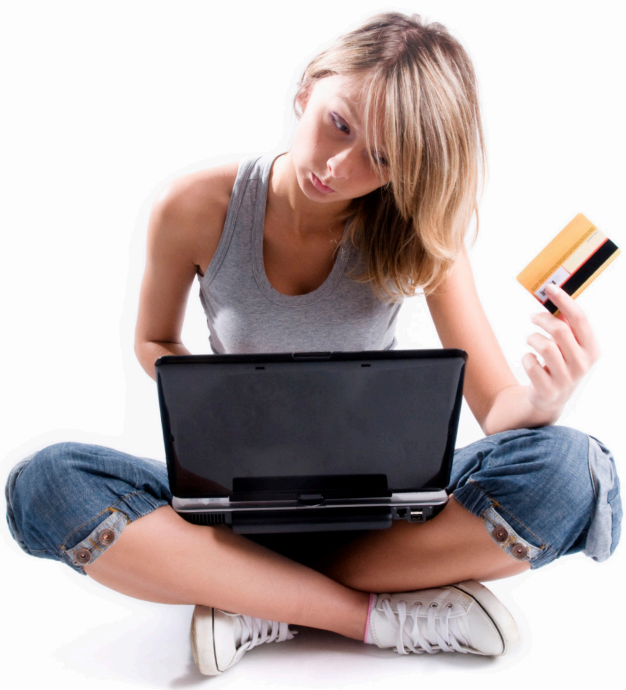
Never share your bank account numbers or passwords with friends or strangers. Not even your best friend or your boyfriend.

3 SPEND SMART

Spending money is the easy part. If you aren't careful you can spend all your money and not even know where it went.

The most important money spending lesson you can learn is how to practice self-control. One part of self-control is thinking before you buy; but the other part is distinguishing between needs and wants. Needs are the things we can't survive without like shelter, clothing and food. Wants are the things that will make our life more pleasurable but we can survive without them. You NEED a warm jacket in the winter so you don't freeze. You WANT an expensive name brand jacket. Being smart about your spending means you chose the less expensive jacket without the brand name for half the price.

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.



A4. NEEDS VS. WANTS

Look at what you spent money on last month (A1) and write 5 things below. Check off if it is a need or a want. Look at your list carefully and decide if your needs are really needs or if your wants may become needs.

	N	W
1. ______		
2. ______		
3. ______		
4. ______		
5. ______		

Knowing the difference between needs and wants and choosing to spend money on needs first will help you make decisions about purchases in the future.

Stretch Your Money and Make It Last

- Make a list of what you need before you go shopping and stick to it. This will help you avoid “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.
- Before you go shopping set a spending limit and only bring that amount of cash with you. By leaving the rest of your cash at home you can’t accidentally spend it
- Comparison shop before you buy, especially when you are making big purchases. Check a few stores and online to find the best price and look at similar items.
- Keep track of EVERYTHING you spend; even the small amounts. It adds up. Once you know what you are spending your money on every month you will know where you can cut back to save money.
- Be frugal. Buy items used instead of new, start clipping coupons, or start shopping at second hand stores.

A5. Ways to Save Money

In the space below write down a few ways that you can change your habits in order to stretch your money.

4 BORROW SMART

Although taking out a loan may not be on your mind right now, it's never too early to begin learning how credit (borrowing) works.

Credit is a tool to buy something now and pay for it later. The way we use credit is either good or bad. There are times in life when borrowing is a good idea and there are times when it's not.

Borrowing almost always involves a cost called "interest," which is what the bank/credit card company charges you to use their money. This is the reverse of what happens when the bank pays you interest to put your money in the bank.

When you borrow money you are promising to repay the loan on a schedule. Not adhering to that schedule will have consequences. You may have to pay late fees. Worse, you can damage your credit score, which means you could have tough time borrowing money in the future.

The most important thing to remember is 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.

If you're not 18 yet practice borrowing money by borrowing from your parents and have them set up repayment terms. They may even charge you interest. This is a perfect way to practice for the first loan or credit card you take out.

Once you turn 18 you can open a credit card to start earning credit. Establishing a good reputation of paying your bills in full and on time will help you in the long run when you want to take out a car loan or buy a house etc. But, it is imperative to remember when you do get your first credit card to use it responsibly.

THE RULES OF RESPONSIBLE CREDIT CARD USE

1. Golden Rule: Charge only what you can afford to pay each month and actually pay it off each month. This is the ideal way to use your credit card in a responsible manner. By doing so you'll build credit and never pay a dime in interest. Treat the credit card like a debit card and deduct each charge from your bank account balance as if you made the purchase. This will keep you from spending more than you have in the bank. Resist the urge to pull out the credit card and swipe it because you want to buy something but "don't have the money right now."

2. Always make your payments on time. Even if you find yourself in a situation where you can't pay the whole balance, make sure you pay as much as you can (at least the minimum payment) and do so before the due date. Paying on time every month will help you build a good credit score over time. If you find it easier to manage, you can even make more than one payment a month. Set up a payment every other week using your online banking and bill pay if you'd like.

3. Plan your purchases. If you are going to use your credit card to finance a big purchase make sure you have a repayment plan that spans a short period of time. Remember the longer it takes you to pay it off, the more you will pay in interest.

4. Don't be tempted by a credit limit increase. The longer you have the card and pay the bill responsibly, the higher your credit limit will become. Just because you CAN spend more money doesn't mean you SHOULD. Continue to spend only what you can afford to pay off right away.

5. Don't obtain more credit than you need. Opening multiple cards in a short period of time can have a negative effect on your credit. Only open the credit cards you need and don't be tempted by all the offers that come in the mail.

Here is an example of what could happen if you use a credit card to make a big purchase and only pay back a little of what you owe each month.

PURCHASE PRICE	YEARS TO PAY OFF WITH MINIMUM MONTHLY PAYMENTS	TOTAL INTEREST YOU WILL PAY	*TOTAL COST*
$500	7	$367	***$867***
$1000	13	$1129	***$2.129***

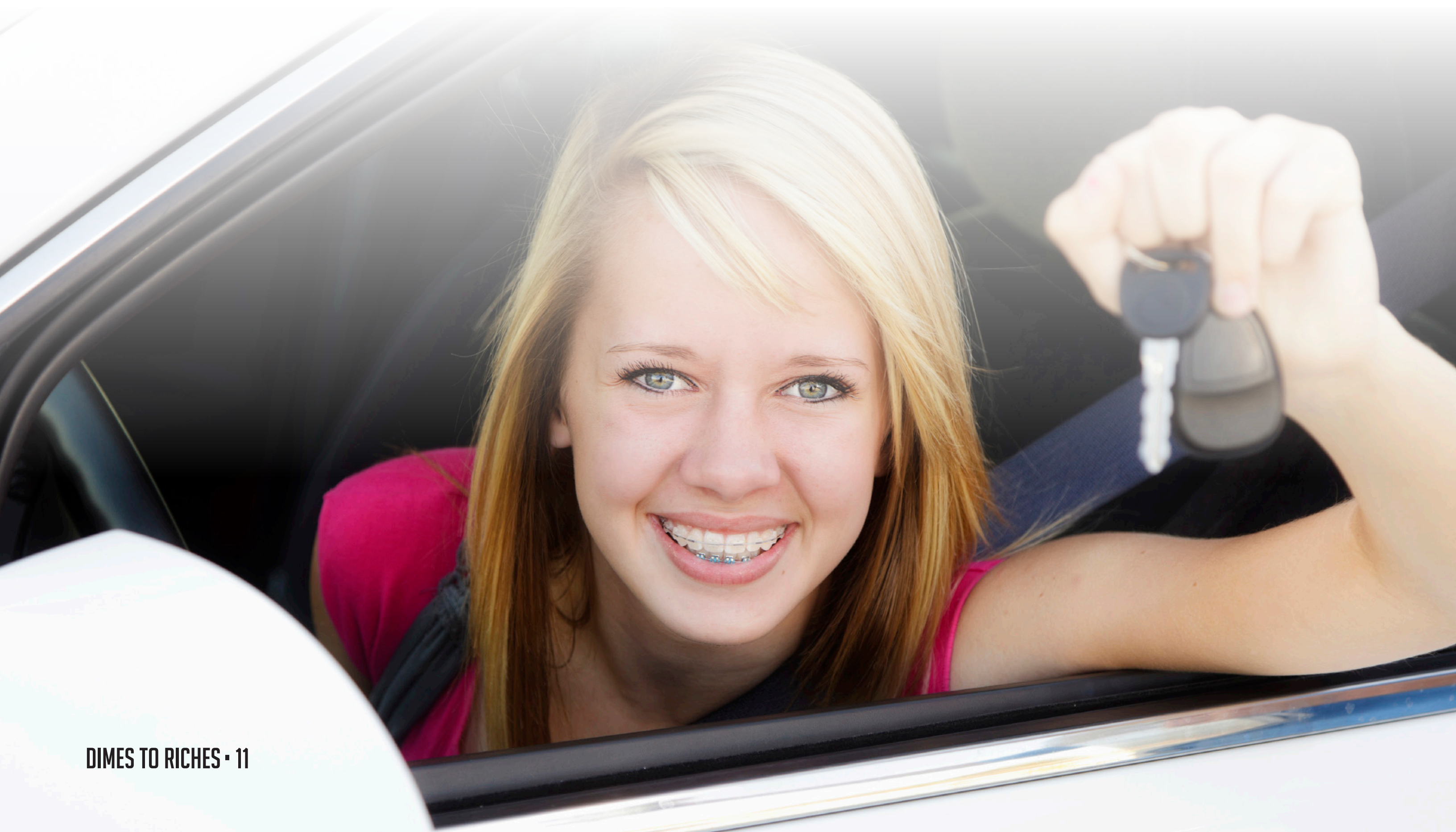
Note: Years are rounded to the nearest whole year. These examples assume an interest rate (Annual Percentage Rate) of 18 percent and a minimum monthly payment of the interest due plus one percent of the outstanding balance owed.

Do you really want to pay $2,129 for something that is only worth 1,000?

It is also important to know what type of interest rate you will be paying

FIXED INTEREST RATES stay the same for the life of the loan or account meaning the monthly payment will stay the same throughout the life of the loan.

ADJUSTABLE OR VARIABLE INTEREST RATES change at specified times, such as every month or year. Meaning your monthly payments will change too.



American Consumer Credit Counseling

The Credit Counseling Professionals

American Consumer Credit Counseling

130 Rumford Ave, Suite 202
Auburndale, MA 02466-1371

1-800-769-3571

ConsumerCredit.com

Revised: 11/2012