Financial Fitness for Life

The Parents' Guide to Bringing Home the Gold

John S. Morton
Mark C. Schug

Grades 9-12

NCEE

National Council on Economic Education

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The Parents' Guides

TO

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This Parents' Guide for **Bringing Home the Gold** accompanies the *Financial Fitness for Life* program your son or daughter is studying in school. Each of the five themes to be studied has family activities that go along with the lessons in the theme.

The activities in this Guide reinforce the classroom topics.

THEME 4:
Spending and Credit Are Serious Business
(Spending and Using Credit)

THEME 5:
Get a Plan: Get a Grip on Life
(Money Management)

INTRODUCTION

Dear Parent,

Chances are you have this book in hand because you believe your child's ability to succeed in the real world requires becoming "financially fit." We developed the *Financial Fitness for Life* series of publications because we wholeheartedly agree!

For more than 50 years, the National Council on Economic Education (NCEE) has been calling attention to the need to educate our young people effectively in the practical skills of economics and personal finance and showing the best ways to meet that need. The current "financial fitness" program—of which this parent guide is a key component—is a dramatic step in the direction of improving economic and financial literacy. For the first time, NCEE is offering a stand-alone parent guide, and we are very excited about engaging parents in teaching "financial fitness."

We have found that students exposed to the "economic way of thinking" are more self-confident and capable of making smart financial decisions. They are also better at saving and investing, building solid careers, and acting as informed citizens. In other words, when they gain an understanding of how the "real" world works, they improve their prospects for better lives in it.

We also know that a key ingredient for any child's successful learning is *parental involvement* in their education. Research shows that students learn a considerable amount of their economic decision making from their parents. Therefore, the activities we have provided in this book for you to do with your child can be a very important component of your child's financial fitness development.

The complete ten-book series contains two parents' guides—one to accompany lessons geared to grades K-5, and another for grades 6-12. In each guidebook, there is an overview of the content covered in the lessons for two of the four grade levels (K-2, 3-5, 6-8, 9-12). Each level has an accompanying teacher guide and student workbook (called *Student Workouts*) or Storybook (K-2), which are correlated with the parent guide. The parent guide contains suggested activities that are fun, that you and your child can do together to enhance learning personal financial principles and skills. Each also contains a listing of additional resources for you.

You will notice that this publication has two sections. One is geared to the curriculum at the 6-8 grade level. The other is for the 9-12 grade level. We suggest that you review the entire book. You may find some activities that may be of interest at whatever level, depending upon your child's mastery of an interest in the concepts. As your child attains higher level skills, you may want to expand the activities you do together.

You want your child to grow up to be an independent, self-supporting individual who makes responsible, informed decisions. So do we! Just as NCEE is the recognized national leader in teaching teachers how to make economics come alive in the classroom, we are grateful to have this significant opportunity to assist parents as teachers of economics that kids can use in their lives—all their lives. And we are very grateful to the Bank of America Foundation for giving us this opportunity.

Robert F. Duvall, Ph.D.
President & Chief Executive Officer
The National Council on Economic Education (NCEE)

GRADES 9-12

A Letter to Parents

Dear Parents,

Your son or daughter in high school is rapidly moving toward adulthood. As recent studies show, young people have difficulty managing their income. This guide is designed to help correct that problem.

Parents are important teachers of personal finance skills and knowledge. Your son or daughter is learning personal financial skills by watching you keep your checkbook, save your money, do your shopping, use your credit card, and manage your household budget. You can improve that learning by talking with your son or daughter about these topics. This Guide can be a partner for you to introduce the subjects and help your son or daughter learn more easily what you may have learned the hard way by trial and error.

This Guide is a series of economic activities for families to do together. In it, you will discover a simple formula for making important decisions. Games and grids will show you shortcuts to financial and career success. Parents and students can explore everything from the pitfalls of credit cards to the windfalls of investing in the stock market. Think of it as exercises for attaining financial fitness for life.

The Guide follows the **Financial Fitness for Life** lessons your son or daughter is studying in school. In this Parents' Guide there are five themes, and each theme includes the following:

1. FAQs: Frequently Asked Questions about the theme content.
2. Family Activity Worksheets.
3. Other activities related to the theme area to enrich your son's or daughter's understanding of personal finance and economics.
4. A list of books and Internet sites to add to your understanding.

We hope that you will find the activities in this Guide to be interesting, fun, and worthwhile.

THEME 1

The Warm-Up:
Knowledge Is the Best Reality Check.

FAQs

Think like an economist to create a winning strategy for life.

1. What is **opportunity cost**?

Opportunity cost is what we give up every time we make a choice. Resources (natural, human and capital) are limited and wants are endless. There is no way to have it all. So, each choice of how to expend resources is also a choice of what to give up.

2. What do high school students know about personal finance and economics?

Not enough. The Jump$tart Coalition for Personal Financial Literacy tested 12th graders on their knowledge of personal finance, and the average score was 51.9%. A 1999 Harris poll of adults and high school students to determine economic literacy gave the students an average score of 48%. The adults didn't do much better—they scored 57%. Everybody failed. The best way to hike those scores is through economic education and a program of personal financial fitness.

3. Why is studying personal finance and economics important?

Those studies are important because they affect every area of life: career choice, how much we earn, what we buy, how we invest, quality of available healthcare and education, preparation for raising families and for retirement. The short answer is that economics and personal finance are reality. No contact with reality is a risky strategy for life.

4. Why can't my son or daughter learn about this in school?

Most children learn about managing money at home, from their families. In the Jump$tart survey, 60% of the students said they learned personal finance at home; 11% said they learned personal finance primarily in school. **Parents make a difference** when they think of themselves as their children's financial fitness personal trainers.

5. Does economics improve **decision making**?

Economics helps students develop economic ways of thinking and problem solving. They can use that knowledge in their lives as consumers, savers, investors, members of the workforce, citizens, and participants in a global economy.

6. What is an **economic way of thinking**?

Thinking economically means developing goals, criteria, and alternatives and then evaluating the costs and benefits of each alternative. The result is intelligent decision making.

FAMILY ACTIVITY 1

Stretching: Find Your Family Economic Literacy IQ.

Use this activity sheet to open a discussion on economic knowledge. This is the National Council on Economic Education's Standards in Economic Literacy Survey. Don't get depressed if anyone does poorly on the survey. Remember that the average score for adults was 57 percent and the average score for high school students was 48 percent. After the family takes the survey, discuss the answers and ways to improve your economic literacy.

The answers are at the end of the survey. No fair looking before you take the quiz!

NCEE National Council on Economic Education

Standards in Economic Literacy Survey

1. A large increase in the number of fast-food restaurants in a community is most likely to result in:

- **a.** Lower prices and higher quality.
- **b.** Lower prices and lower quality.
- **c.** Higher prices and higher quality.
- **d.** Don't know.

2. A person who starts a business to produce a new product in the marketplace is known as:

- **a.** A manager.
- **b.** A bureaucrat.
- **c.** An entrepreneur.
- **d.** Don't know.

3. An increase from 5% to 8% in the interest rates charged by banks would most likely encourage:

a. Businesses to invest.

b. People to purchase housing.

c. People to save money.

d. Don't know.

4. For most people, the largest portion of their personal income comes from:

a. Wages and salaries from their jobs.

b. Interest from stocks and bonds they own.

c. Rent paid to them from property.

d. Don't know.

5. If the real gross domestic product of the United States has increased, but the production of goods has remained the same, then the production of services has:

a. Increased.

b. Decreased.

c. Remained the same.

d. Don't know.

6. If the price of beef doubled and the price of poultry stayed the same, people would most likely buy:

a. More poultry and less beef.

b. Less poultry and more beef.

c. The same amount of poultry and beef.

d. Don't know.

7. If the United States stopped importing automobiles from Country X, who would be most likely to benefit?

a. Automobile manufacturers in Country X.

b. Consumers in the United States.

c. Automobile manufacturers in the United States.

d. Don't know.

FAMILY ACTIVITY 1

CONTINUED

8. If your city government sets a maximum amount landlords can charge in rent, what is the most likely result?

a. There will be more apartments available than people want to rent.

b. There will be fewer apartments available than people want to rent.

c. The number of apartments available will be equal to the number of people that want to rent.

d. Don't know.

9. In the United States, who determines what goods and services should be produced?

a. Producers and government.

b. Consumers and government.

c. Producers, consumers, and government.

d. Don't know.

10. Mexico grows fruits and vegetables and Argentina produces beef. If Mexico voluntarily trades fruits and vegetables in exchange for Argentinean beef:

a. Both Mexico and Argentina benefit from the trade.

b. Both Mexico and Argentina lose from the trade.

c. Mexico benefits and Argentina loses from the trade.

d. Don't know.

11. The manufacturers of XYZ winter sportswear have their manufacturing plants running night and day, but they are unable to produce enough sportswear to satisfy demand. If XYZ manufacturers cannot increase production and demand continues to increase, the price of XYZ winter sportswear will:

a. Increase.

b. Decrease.

c. Stay the same.

d. Don't know.

12. The resources used in the production of goods and services are limited, so society must:

a. Make choices about how to use resources.

b. Try to obtain additional resources.

c. Reduce their use of resources.

d. Don't know.

13. The stock market is an example of an institution within our economy that exists to help people achieve their economic goals. The existence of this institution:

a. Results in an increase in the price of stocks.

b. Brings people who want to buy stocks together with those who want to sell stocks.

c. Helps predict stock earnings.

d. Don't know.

14. When a person rents an apartment, who benefits from the transaction?

a. Only the person renting the apartment.

b. Only the landlord.

c. Both the person renting the apartment and the landlord.

d. Don't know.

15. When deciding which of the two items to purchase, one should always:

a. Choose the item that costs less.

b. Choose the item with the greatest benefits.

c. Choose an item after comparing the costs and benefits of both items.

d. Don't know.

16. When governments supply products and services, these products and services usually benefit:

a. More than one person at a time whether they have paid for it or not.

b. Only the people who pay for these products and services.

c. Business at the expense of consumers.

d. Don't know.

FAMILY ACTIVITY 1

CONTINUED

17. When the federal government's expenditures for a year are greater than its revenue for that year, the difference is known as:

- **a.** The national debt.
- **b.** A budget deficit.
- **c.** A budget surplus.
- **d.** Don't know.

18. Which of the following are most likely to be helped by inflation?

- **a.** People living on a fixed income.
- **b.** Banks that loaned money at a fixed rate of interest.
- **c.** People who borrowed money at a fixed rate of interest.
- **d.** Don't know.

19. Which of the following would be most likely to accelerate innovation in the computer industry?

- **a.** Placing a tax on all new inventions in the computer industry.
- **b.** Increasing government regulation of the computer industry.
- **c.** Investing in more research and development in the computer industry.
- **d.** Don't know.

20. Which of the following statements about the function of money is wrong?

- **a.** Money makes it easier to save.
- **b.** Money makes trading goods and services easier.
- **c.** Money holds its value well in times of inflation.
- **d.** Don't know.

Answers to Economic Literacy Test

1.	a	**8.**	b	**15.**	c
2.	c	**9.**	c	**16.**	a
3.	c	**10.**	a	**17.**	b
4.	a	**11.**	a	**18.**	c
5.	a	**12.**	a	**19.**	c
6.	a	**13.**	b	**20.**	c
7.	c	**14.**	c		

18-20 Correct.
Wow! Your family is an expert in personal finance and economics.

16-17 Correct.
Super Job. Your score is well above others who have taken this test. You'll enjoy doing the activities in this Guide.

14-15 Correct.
Good Job. You have a lot of economic knowledge to share in your family.

12-13 Correct.
You're still above the score most people got on this survey. You can add to your knowledge by working together on the activities in this Guide.

11 or fewer Correct.
Try again after you've worked on the activities in this Guide. You'll all learn a lot!

FAMILY ACTIVITY 2

Strengthening: How Can We Decide?

Use the decision-making grid to make a family decision.

STEP 1: *Define the Problem.*

STEP 2: *List the Alternatives.*

STEP 3: *Identify Your Criteria.*

STEP 4: *Evaluate Your Alternatives.*

STEP 5: *Make a Decision.*

CRITERIA ▶ / ▼ ALTERNATIVES				

Instructions:
Think of a family decision you may need to make sometime in the future. Examples of family decisions could be which used car to buy, which colleges to consider, how to spend a Saturday or vacation day, or where to shop for groceries.

Now cooperatively work through the decision-making grid.

STEP 1: *Define the problem.*

That's the decision you have to make.

STEP 2: *List the possible solutions to the problem in the left-hand column.*

These are your **alternatives.**

STEP 3: *Identify your* ***criteria*** *across the top row. The criteria are the points you will use to evaluate the alternatives.*

For example, if you are trying to choose which car to buy, you might list as criteria such things as "price between $5000 and $8000," "good service department," and "good gas mileage." Or it might be "must have a sun roof," "sporty looking," and "leather seats." You can add more criteria than the four spaces this sheet allows.

STEP 4: *Mark how each alternative meets the criteria. Use plus and minus signs (+, ++, –) to show how each alternative measures up for each criterion.*

STEP 5: *Look at the ratings to see which one is the best.*

That's your **decision**.

Raising the Bar:
Try these **family activities**.

1. **Take a reality check.** The Jump$tart Coalition's web site **www.jumpstartcoalition.org** features a Reality Check that lets you select your dream lifestyle and then see what your hourly and weekly wage would have to be to really live your dreams. Notice starting salaries for different levels of education—an eye opener.

2. **The Millionaire Game.** Ask your son or daughter to bring home "The Millionaire Game," a classroom economics game the whole family can play. Discover the simple habits that could make you rich. Decide to try a few as a family.

3. **Life lessons.** Talk with your child about money management lessons you learned the hard way. Share with him or her what you wish you had learned earlier.

4. **Track your spending.** Pick a simple way for your child to keep track of expenses for a week.
   - List income and money spent (a piece of scrap paper kept in a pocket will do for this).
   - Add up income from jobs, allowances, and loans.
   - Add up what your son or daughter spent all week.
   - Together, look at how your son or daughter spent his or her money, and talk about how that money could go farther.
   - Ask him or her to make a budget for achieving the most important thing(s)—this will mean making changes in how your child chooses to spend his or her money.

5. **Dream factory.** Ask your kids to write their life goals. They should include jobs, income, education, and lifestyle. Remind them to focus on what would make them happy, and avoid getting trapped in a list of material possessions. Be sure to include how they would like to make the world better.

   Now explore how they could achieve those goals. Create a plan for money management that would help them create their dreams.

Learn More:

Lit and Links.

Lit - Take it to the next level with **Books**:

Lee, Dwight R. and McKenzie, Richard B. *Getting Rich in America.* HarperCollins/HarperBusiness, 1999. The authors reveal eight simple, practical, commonsense rules to save a million dollars without sacrificing quality of life. A book of practical tips.

Stanley, Thomas J. and Danko, William D. *The Millionaire Next Door*. Longstreet Press and Pocket Books, 1996. This bestseller has surprising facts about millionaires. The book debunks the image of the rich as high-living spendthrifts and shows how anyone with a steady job who tries to amass a fortune can succeed.

Morris, Kenneth M. and Siegal, Alan M. *The Wall Street Journal Guide to Understanding Personal Finances*. Simon and Schuster Trade, 1996. This book is an excellent overview of several areas in personal finance, including banking, credit, home finance, financial planning, investing, and taxes. Although it covers a multitude of topics, this handbook has only 171 pages.

Links - Fine-tune your financial fitness on the **Internet!**

Visit **www.ncee.net** for more ideas, activities, and constantly updated links to great personal finance and economics web sites.

THEME **2**

Charting Your Workout:

Education Puts You at the Top of Your Game.

FAQs

Work all the angles to play at the top of your game.

1. How do you **find a job**?

Look for job openings in classified ads, company postings, personal contacts, or the Internet. Then write a letter of application, prepare a resume, and fill out a job application. Interview with interested employers.

2. How do you get more information about types of jobs?

The **Bureau of Labor Statistics** publishes the Occupational Outlook Handbook. You can find it online at **www.bls.gov** or in the reference section of the library. The information in the Occupational Outlook Handbook includes a description of the work, possible employers, working conditions, employment outlook, required education and training, salary ranges, and advancement potential.

3. What if I don't want to work for someone else?

Entrepreneurs work for themselves. They are generally hard workers and risk takers who want to control their own future. Entrepreneurs can be found running their own businesses in every type of field. Some work solo; some manage their own employees.

4. What's good and bad about **owning your own business**?

Entrepreneurs are in charge of their own time and success. They have the chance to make serious money. Entrepreneurs will work long hours, do everything from meeting with clients to sweeping the floors, miss out on a lot of vacations, and make little money at first. But the possibility of long-term rewards and the freedom to set the rules and turn a vision into reality can offset many hardships.

5. What is **human capital investment**?

Human capital investment is investment in education and training that increases one's knowledge and skills. Like capital investment in businesses, such as investment in buildings and machinery, investment in human capital provides the foundation for income growth.

6. Do people with more education make more money than people with less schooling?

Yes. Studies show a direct relationship between higher education and higher salaries. People who invest in more years of education, on the average, make more money than those who don't go to college or graduate school.

7. What is the difference between **gross pay** and **net pay**?

- **Gross pay** is the total amount of money earned. It equals the hourly wage multiplied by the number of hours worked.
- **Net pay** is gross pay minus deductions. Deductions may include federal, state, and local taxes; social security contributions; and deductions for optional benefits like medical and life insurance, retirement savings, and profit sharing.

FAMILY ACTIVITY 3

Stretching: Finding a Job Opportunity.

Job opportunities are everywhere. Businesses post "help wanted" signs in their windows, on billboards, and on the Internet; friends tell you of position openings where they work; city, state, and private agencies work with unemployed people to place them in jobs; and newspapers have employment or "help wanted" sections (the classifieds).

Get a local newspaper and turn to the "help wanted" ads. Have your son or daughter "choose" one of the jobs listed.

Now ask your son or daughter to answer the following questions.

1. What is there about this job that you like? What made you choose this job?

____

____

2. What education, training, or experience does this job require?

____

____

3. Do you have the requirements for the job?

____

____

4. What could you do to prepare yourself for this job?

____

____

Help your son or daughter write a letter of application and resume for the job. Use the sample letter of application and resume in the *Student Workouts* as a guideline.

FAMILY ACTIVITY 4

Strengthening: Career Interview.

Ask your son or daughter the following questions and discuss his or her answers. You may want to write down the responses as you go and then discuss them when you have completed the Career Interview. Encourage your son or daughter to use these responses in writing the essay for lesson 6: "Why Investing in My Human Capital Is in My Portfolio."

1. Lifestyle. Ask your son or daughter to imagine himself or herself at 30 years of age:

- Where are you living—in an urban, suburban, or rural area?
- Are you married? Do you have any children?
- Do you live in a house or an apartment?
- What kind of car are you driving?

2. Supporting that lifestyle at age 30. Ask:

- What kind of job do you have?
- What assets do you own? (A house, stocks, retirement accounts, car, etc.)
- Are you working for yourself or a company?
- What kind of business is it?

3. If your son or daughter isn't sure of the job wanted at age 30, ask the questions below to help channel thinking toward a few job options.

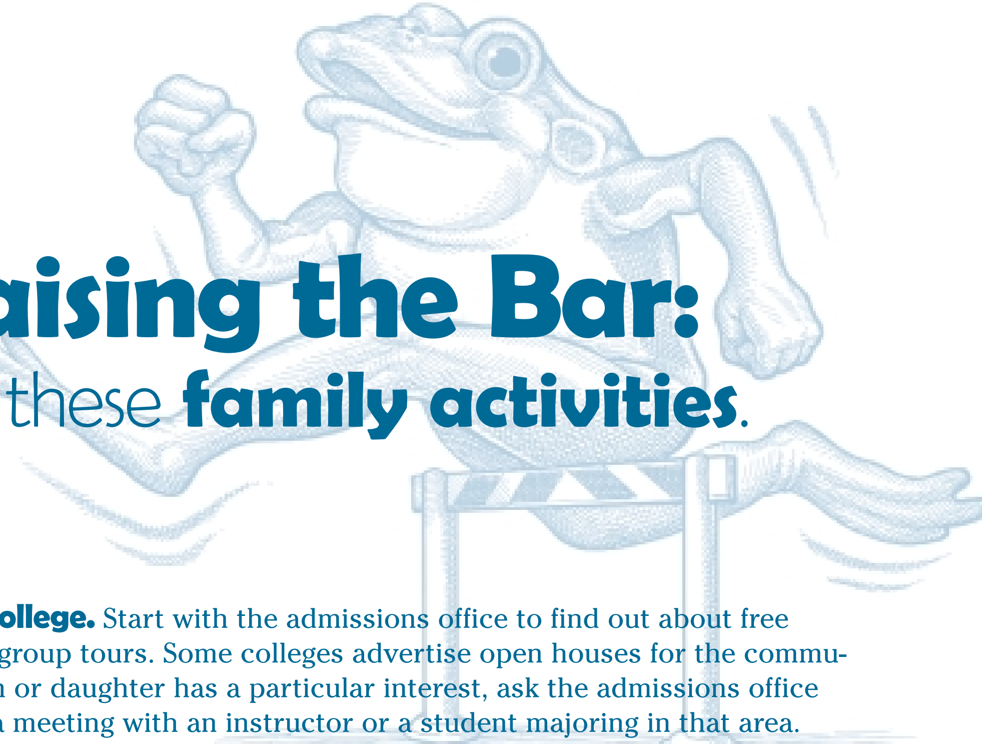
- What are the hours you want? Monday through Friday, 9am-5pm? Or something different?
- Do you want to work inside or outside?
- Do you want to travel a lot?
- Do you want to work by yourself or with others?

4. Getting there. Ask:

- What kind of job experience will you need to get your dream job?
- What kind of education or training will you need? Consider college, law school, technical schools, etc.
- Are there any schools or training programs you want to find out more about?
- What college major or classes will you need to take?
- What kind of grades will you need?

5. Choices for right now:

- What classes could you be taking in high school to get your dream job later?
- What summer or part-time jobs would give you experience to help get that job?
- What kinds of grades and extracurricular activities would be helpful in getting your dream job?



Raising the Bar:

Try these **family activities**.

1. **Tour a local college.** Start with the admissions office to find out about free individual and group tours. Some colleges advertise open houses for the community. If your son or daughter has a particular interest, ask the admissions office how to set up a meeting with an instructor or a student majoring in that area. **www.cnsearch/collegenet/com** provides links to all the four-year and two-year colleges in the U.S.

2. **Job shadow.** Arrange a day (or half-day) your teen can spend with someone working in a field that interests him or her. This could be your own job or the job of a family friend on a typical day. Your son or daughter will tag along and discover what a typical day in that job is like. It is best to clear this with employers in advance.

3. **Go to the source.**. Help your teen meet with someone in a field that interests him or her. A list of questions should be prepared in advance about what the person does, what training they had (or wish they'd had), how they got that job, what is great or not-so-great about the job, and what they would suggest to someone just starting out. Then LISTEN. Make notes and talk about it afterward with your teen. *The Best Work of Your Life* (see LIT list) tells how to do this — from making the first contact to writing thank you notes after the interview.

4. **Find your career IQ.** Your son or daughter can take a test for career aptitude. Here's how:
   - High school guidance departments and college career centers offer career aptitude tests. Colleges may let potential students use their testing center.
   - Career aptitude tests are available on the Internet. The Bureau of Labor Statistics web site **www.bls.gov**, is useful; click on "K-12 Educational Resources."
   - Your local library has books on choosing a career.

5. **Summer internships, part-time jobs, and volunteering.** These provide reality checks (and sometimes paychecks) and valuable contacts. Your company may offer summer internships to employees' children. High schools often have internship arrangements with local businesses. Part-time jobs and volunteer work can be year-round opportunities.

Learn More:
Lit and Links.

Lit - Take it to the next level with **Books**:

Covey, Sean. *Seven Habits of Highly Effective Teenagers: The Ultimate Teenage Success Guide.* Simon and Schuster, 1998. In addition to guidance on goal setting, this book offers advice on life in high school and beyond. This book will help any teenager deal with immediate challenges and decisions.

Alea, Patricia and Mullins, Patty. *The Best Work of Your Life*. Perigee, 1998. Here is a new kind of career planning guide that looks at one's entire life. The book also provides excellent tips on finding jobs of interest.

Moda, Emmanuel; Walker, Andrea; and Hayes, James B. *The Lemonade Stand: A Guide to Encouraging the Entrepreneur in Your Child.* Gateway Publishers, 1996. This guide for starting a business deals with business plans, record-keeping, legal, and tax issues. It also discusses the common mistakes of young entrepreneurs.

Peterson's Guide (Editor). *Peterson's College and University Almanac: A Compact Guide to Higher Education 2000.* Petersons, 2000. This is a complete guide to colleges in the United States. It includes descriptions of colleges, admission requirements, financial-aid information, and tips on applying to college.

Links - Fine-tune your financial fitness on the **Internet!**

Visit **www.ncee.net** for more ideas, activities, and constantly updated links to great personal finance and economics web sites.

THEME 3

Fat Finances
or You Can Never Be Too Skinny or Too Rich.

FAQs

Tricks every aspiring high net-worth individual should know.

1. Why should kids care about **saving and investing**?

Here's why. A **one-time** contribution of $2,000 made at age 22 to an investment earning 15% interest would be worth $814,000 at age 65.

An **annual** $2,000 contribution would be worth $6.23 million at age 65. Not a bad return for an $86,000 investment. Got your attention?

2. How can I encourage my child to save and invest?

A first step is learning about delayed gratification. This means teaching your son or daughter to postpone getting whatever he or she wants immediately. Teach your child to wait to eat until everyone is served at the table—or to wait for that new car until he or she has saved enough for the down payment. Model good financial behavior for your son or daughter. Live below your means and save and invest part of your income. Talk about your saving and investing strategy with your son or daughter.

3. When is a good time to start saving and investing?

Start healthy habits early. If your son or daughter gets an allowance, part of it should be saved. Discourage the attitude that spending every penny is the goal. Encourage regular saving as a lifelong habit.

Early saving means greater wealth down the road. At a 10% rate of return, money doubles in 7.2 years. At a 15% rate of return, money doubles in 4.8 years. This is the **power of compounding**, a painless way to grow a lot of money.

4. What is the difference between saving and investing?

Savings can include money deposited in passbook savings accounts and certificates of deposit (CDs) that are insured by the Federal Deposit Insurance Corporation (FDIC). These savings instruments are safe and easily accessed.

Investments include stocks, bonds, and mutual funds. They represent greater risk but also the chance for a greater return.

5. Isn't investing a gamble? Why should I teach my kids to gamble with their money?

Investing differs from buying a lottery ticket or playing the slots. Gambling involves random chance. It is a zero-sum game. For every winner, there is a loser and that could be you.

Investing is not random. It is a positive-sum game—a win-win. Everyone can gain by investing. Researching the best choices for investing your money increases your chances of gain. Long-term investors have the best chance of winning big.

6. Why not just encourage my son or daughter to avoid risk and put money in the bank?

Opening a savings account at a bank, savings and loan, or credit union is a great first step. That money will be perfectly safe, but the interest it earns may not keep pace with inflation. Above a certain amount of basic savings, many people put additional savings into investments that are riskier but offer a possibility of higher return.

7. What if you only have small amounts of money to invest?

Small investors have many alternatives. Some mutual funds require a minimum investment of only $100. You can also buy stock directly from many corporations without a commission. Some corporations offer **dividend reinvestment plans** (DRIPS) that reinvest dividends in their stock without a fee or commission.

8. What are the **Five Golden Rules for Investment** that I should teach my son or daughter?

1. Live below your means and save the difference.
2. Start saving now and save as much as you can on a regular basis.
3. Decide to save for the long term—compound interest is effortless wealth.
4. Investigate before you invest. Get the best deals.
5. Take risks to get returns. Be prudent, but remember that the stock market has provided a better return than most other types of investments over the long term.

FAMILY ACTIVITY

5

Stretching: The Chessboard of Financial Life.

Which would you rather have—$10,000 or one penny doubled 64 times? Let's see which is the better deal.

1¢	2¢	4¢	8¢	16¢			

1. Put a penny or a popcorn kernel in the square in the upper-left corner. The popcorn would represent a penny. Now start to double it on each new square (2, 4, 8, 16, 32, 64, etc.). The first few have been started for you.

2. When you cannot get enough popcorn kernels or pennies in the square, use a calculator. (Just multiply each answer by 2.) Put the amount in each square—$.01, $.02, $.04, $.08, $.16, $.32, $.64, $1.28, etc.

3. When do you have $10,000?

4. How much money do you have by the 34th square? By the 64th square?

5. What does this activity show about why you should save early and often?

Answers

- **The penny is worth $10,000 by the 15th square and worth quadrillions of dollars by the 64th square. Your calculator will probably show an error by the 34th square, which means you have more than one billion dollars. (When the error shows up will depend on the number of digits your calculator displays.)**
- **When money is saved in an interest-bearing account early and added to often, it "multiplies" very quickly. This is called the power of compounding.**

FAMILY ACTIVITY

6

Stretching:
Comparing Savings Plans and Places.

Use this worksheet to rate various financial institutions and savings plans. (You will need to make two more copies of this sheet.) Assign members of the family to check out savings plans at different financial institutions in your community. Check the different savings plans at a bank, a credit union, and a savings and loan. Discuss with your son or daughter which type of savings plan is best for him or her.

Name of Financial Institution: ______________________________

	Series E Savings Bond	Passbook Savings Account	1-year CD	3-year CD
Annual interest rate	______	______	______	______
Effective yield (includes compounding)	______	______	______	______
Minimum initial deposit	______	______	______	______
Penalty for early withdrawal	______	______	______	______
Service fees or charges	______	______	______	______

Other factors that might make this financial institution a good place to save, such as convenient location, hours of service, or a friendly and efficient staff:

1. ______________________________

2. ______________________________

3. ______________________________

FAMILY ACTIVITY 7

Strengthening: Be an Investment Guru.

Analyzing a corporation's stock is easier than you think. Information is available in newspapers, magazines, and on the Internet. Of course, you always must judge the source of this information. Let's get started.

Pick a Company's Stock

Choose a company listed on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX), or Nasdaq. It might be best to choose a company you know. Do you have a favorite store, food, or restaurant? Which companies produce the entertainment you like? What products are hot today? Now look up some facts about the company in a newspaper stock page.

Company name: ______________________________

Industry: ______________________________

Products and services involved: ______________________________

What are the main reasons for buying shares in this company?

____

____

____

Company ticker symbol: ______________________________

Exchange where stock is listed: ______________________________

What was the stock's price when you checked it? ______________ Date ____________

What do you think is going to happen to the stock? If you are new to the stock market, you may not know the answers to these questions. But cheer up—even the experts are often wrong in their predictions. So take a guess and join the experts.

FAMILY ACTIVITY 7 CONTINUED

Be an Investment Guru.

1. What direction do you think the stock market will take during the next year? Why do you think this?

2. How will the market outlook affect the price of your stock?

3. Have any economic or other events affected your stock's price? Check your company in newspapers, magazines, or the Internet to find this out. Have the effects been positive or negative? Be as specific as possible.

4. Why do you think shares in this company will increase more rapidly than other stocks you could buy?

5. What could go wrong with this decision? What factors might cause the shares of the company not to perform as you predicted?

What Happened to the Stock?

1. Keep track of the stock for several months. Graph the daily or weekly price of the stock on a computer or graph paper.

2. Did the stock do as well as you thought it would in the short run?

3. How well do you think the stock will do in the long run, say, five to ten years?

Raising the Bar:
Try these **family activities**.

1. Play the stock market with play money. Imagine you have $100,000 to invest. Choose your stocks, and see how much value you can add to your portfolio during a limited period.

There are many stock market simulations that you can play on the Internet, and some even offer prizes. In many cases, you start with a hypothetical $100,000 cash and see how much the portfolio can increase during a certain period. Some of the simulations have no advertising on the web site, and some have a lot. Some charge a fee, and some are free. Here are a few possibilities:

StockTrak: **http://www.stocktrak.com**

Stock Market Game: **http://www.smgww.org**

Young Investor: **http://www.younginvestor.com**

This could be family competition and even be combined with Family Activity Worksheet 7: *Be an Investment Guru.*

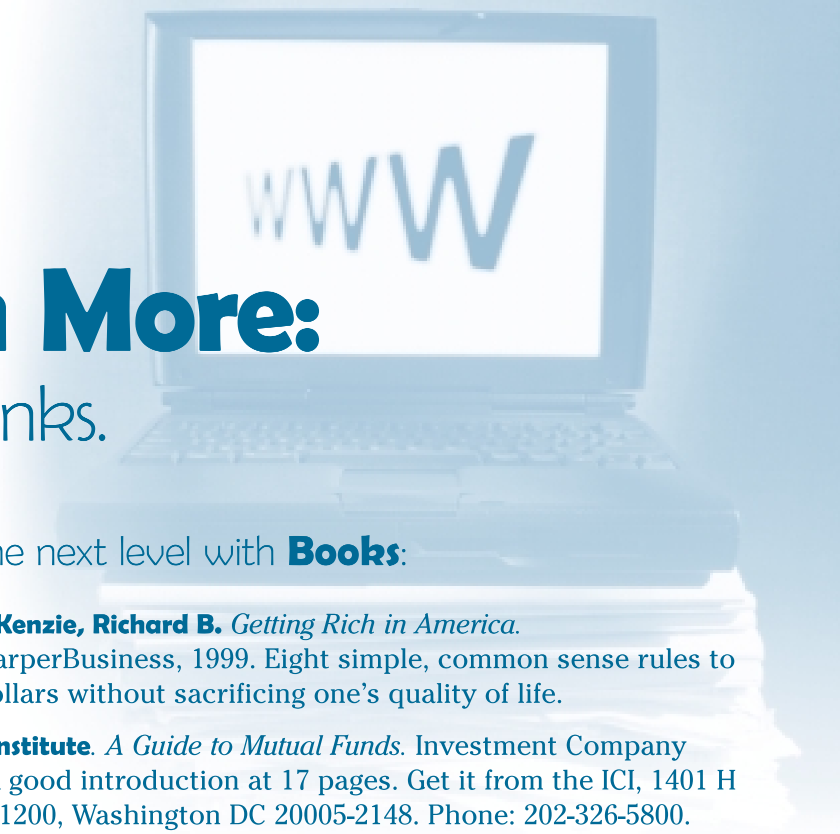
2. Compare mutual funds. Mutual funds are not all alike. Some charge a sales commission called a load. Some charge a 12B1 advertising fee. They have different objectives, different operating costs, and different performance results.

- Check out a fund's prospectus before buying shares.
- Get a few mutual fund prospectuses. Call their 800 numbers, visit the investor relations sections of their web sites, or write to them. Look for the following with your son or daughter:
    - Type of fund.
    - Objectives of fund.
    - Annual rate of return for the past three years.
    - Load fees.
    - Operating expenses per share.
    - Level of risk—low, medium, high.
    - Minimum investment required.
- Pick the fund that is best for you after a discussion of the facts about each one.

3. Help your child set up a savings plan now. Decide the following together:

- Short-term and long-term goals.
- The amount of money to be saved monthly.
- The amount of risk he or she is willing to take.
- Possible savings places.

4. Investigate an IRA for your teenager. With a Roth IRA, all earnings are tax-free if the money is withdrawn after age 59 1/2. Even a one-time savings of $2,000 at age 17 would be worth $814,000 at age 60 at a 15% annual rate of return. You need earned income to start an IRA, but many teenagers have part-time jobs. You can contribute up to the earned income, or up to $2,000, whichever is less. You could give your child the gift of a very substantial retirement by starting to save now.



Learn More:
Lit and Links.

Lit - Take it to the next level with **Books**:

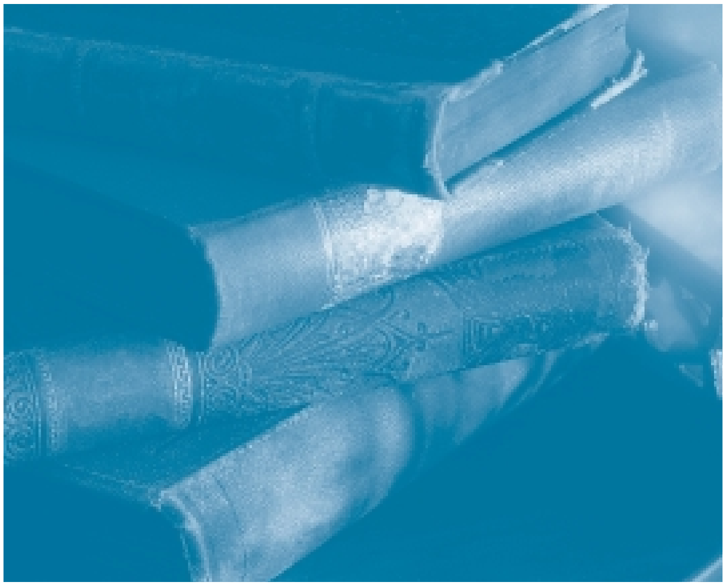
Lee, Dwight R. and McKenzie, Richard B. *Getting Rich in America.* HarperCollins/HarperBusiness, 1999. Eight simple, common sense rules to save a million dollars without sacrificing one's quality of life.

Investment Company Institute. *A Guide to Mutual Funds.* Investment Company Institute, 1999. A good introduction at 17 pages. Get it from the ICI, 1401 H Street NW, Suite 1200, Washington DC 20005-2148. Phone: 202-326-5800.

Standard & Poor's How to Invest. McGraw-Hill, 1999. This 70-page booklet covers a philosophy of investing, stocks, bonds, mutual funds, and the securities markets. It is available from Standard & Poor's, 55 Water Street, New York, NY 10041. Phone: 800-221-5277.

Links - Fine-tune your financial fitness on the **Internet!**

Visit **www.ncee.net** for more ideas, activities, and constantly updated links to great personal finance and economics web sites.



THEME 4

Feel the Burn
but Don't Get Burned.

FAQs

It's to your credit to set some limits.

1. What is **credit**?

Credit is permission to borrow money with the promise to repay the amount borrowed plus an additional amount called interest.

2. What are the reputable **sources of credit**?

The sources of credit are credit card companies, banks, savings and loans, credit unions, and some finance companies.

3. What is the **cost of credit**?

The cost of credit is a finance charge, also called interest, and sometimes transaction fees, such as loan fees or annual or monthly fees on a credit card.

4. What is **interest**?

Interest is a percentage of the amount borrowed paid to the lender by the borrower. Interest charges are the incentive for lenders to loan money. Lenders are thus compensated for the use of their money.

5. Why do **interest rates** vary?

Interest rates vary among lenders for several reasons.

- Risk is probably the biggest variable in loan interest rates. The greater the risk, the higher the interest rate.
- Loans that are backed by **assets** or **collateral** (such as a house or car) have lower interest rates than loans that are not "secured," such as credit cards. This is because the lender can be more sure of getting the loan repaid, even if the borrower fails to pay (less risk).
- People with **poor credit ratings** can also expect to pay more interest on a loan because of the **greater risk** that they will not repay the loan.

6. When is it appropriate to borrow money?

Credit is best used for goods and services that will contribute to the well being and future security of an individual or family. Examples are college loans, home loans (mortgages), some car loans, and loans for emergency (unplanned, essential) expenses.

7. What are the **dangers of borrowing**?

It can be tempting to buy now and pay later, because credit is so easily available. The danger is the risk of not being able to pay it back later. Credit has a cost. If debt is allowed to pile up, through carelessness or unforeseen circumstances, it can quickly become an unmanageable burden. The interest on the unpaid balance of a credit card can sharply increase the final cost of the original item purchased.

8. How do lenders decide whether or not to make a loan?

Lenders look at the **3 Cs: Character, Capacity,** and **Collateral**.

- **Character** can be judged by reviewing a loan applicant's credit history—bills paid on time, loans paid back.
- **Capacity** is the ability of the borrower to make payments on the loan. It is determined by looking at the borrower's current and future earnings.
- **Collateral** means assets like cars, houses, stocks, and bonds—things the borrower could sell in order to pay the loan.

9. What is the **APR (Annual Percentage Rate)**?

The APR is the true yearly cost of a loan.

10. What should you look for when **choosing a credit card**?

When choosing a card, look for annual fees, transaction fees (like a fee for each use), the APR, grace periods, credit limits, minimum payment requirements, and penalties for late fees. Make sure the APR is not an introductory rate that will balloon upward after a fixed amount of time. Remember that special deals like airline miles or long-distance minutes often come with cards that have higher rates.

11. What is the difference between a **debit** and a **credit card**?

A **debit card** transfers money from your bank account to the account of the merchant. The store gets paid directly from your checking or savings account. A **credit card** means you borrow from the credit card company, which pays the store. Then you must repay the credit card company. You can charge something without having funds in the bank to cover it because you will pay for it later. You can only pay by debit card if the money is in your account.

12. What happens if a credit card is lost or stolen?

The Truth in Lending Act limits your loss to $50 if your credit card is lost or stolen. You must notify the credit card company of the loss as soon as you discover it. If you notify the company before any charges are made, you will not be responsible for any charges made after that time.

13. What are the **rights of a borrower**?

The borrower has the right to:

- know all costs associated with the loan, including the APR.
- see his or her credit record and correct mistakes on it.
- have 14 days between notification of a bill and its due date.
- have protection from certain practices by collection agencies.
- have equal access granted without discrimination because of race, gender, marital status, age, religion, or national origin.

14. What are the **responsibilities of a borrower**?

Pay on time. Be truthful on the application. Don't borrow more than you can pay back. Be aware of possible scams and swindles. Protect your social security number, signature, and credit card numbers.

FAMILY ACTIVITY 8

Stretching: Know the Options.

You probably receive many credit card offers in the mail. College students get offers for easy credit. Your son or daughter can expect to start receiving such offers as high school graduation approaches. A credit card can be convenient, has built-in loss protection, is a source of emergency money, and is the key to establishing a good credit history. Help your son or daughter identify the best credit card—they are not all alike. Fill out the chart below with the information from three offers and decide which card is the best deal.

	Card 1	Card 2	Card 3
Name of card			
Annual fee			
APR			
Grace period			
Credit limit			
Minimum payment			
Penalties (late fees)			

FAMILY ACTIVITY 9

Strengthening: What's Wrong with Just Paying the Minimum?

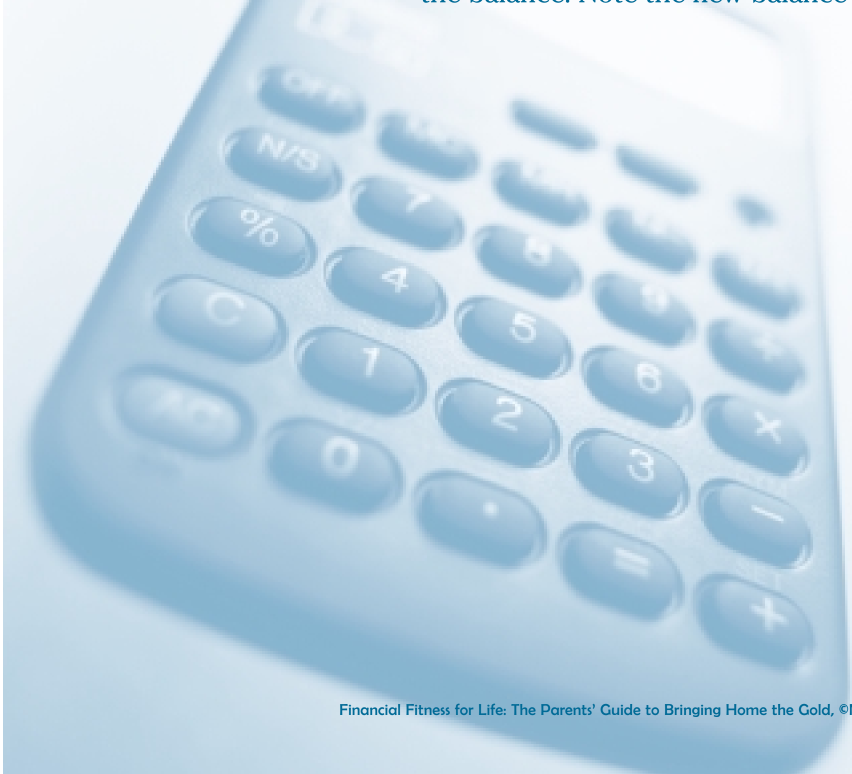
Credit card companies usually specify a minimum payment amount that must be paid if the bill is not paid in full. While this may seem like a good idea, remember, you are still paying interest—often high rates of interest—on the remaining balance. The credit card companies allow minimum payments because it is a way for them to make money. Complete the table on the next page to see how much they make, and you pay. The answers are on page 81.

Pretend that you charged a $1,000 purchase on your credit card. The credit card company charges 17% annual interest. The minimum monthly payment is $20. Use the table on the next page to calculate how much of the balance is paid off after one year, paying only $20 per month. You could also create a spreadsheet to do the calculations. This exercise assumes no additional charges are made on the card. If there were more purchases, the amounts owed would be even higher!

1. Calculate the **monthly interest rate**:

Annual rate / 12 = 0.17 / 12 = ____________ % per month

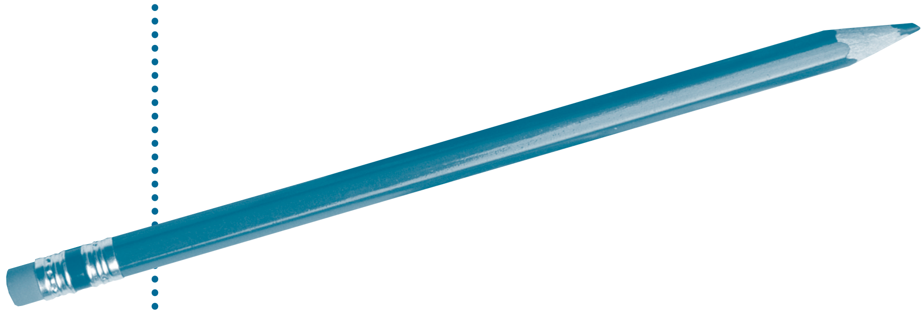
2. Credit card companies will apply any payment first to interest and then to the balance of the principal. Interest is found by multiplying the monthly interest rate by the balance. Note the new balance becomes the next month's balance owed.



Month	Balance Owed	Interest	Payment	Interest	Leftover	New Balance
1	$1,000.00	$14.16	**$20.00**	$14.16	$5.84	$994.16
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						

Total Interest Paid ______________ **Amount Still Owed** ______________

How long do you think it will take to pay off the $1,000 charge? It will take seven years and cost an additional $717 in interest payments. That nearly doubles the cost of the original purchase!



Answer Key for Family Activity 9

Month	Balance Owed	Interest Charged	Payment	Interest	Leftover	New Balance
1	$1,000.00	$14.16	**$20.00**	$14.16	$5.84	$994.16
2	994.16	14.08	20.00	14.08	5.92	988.24
3	988.24	13.99	20.00	13.99	6.01	982.23
4	982.14	13.91	20.00	13.91	6.09	976.14
5	976.14	13.82	20.00	13.82	6.18	969.96
6	969.96	13.73	20.00	13.73	6.27	963.70
7	963.70	13.60	20.00	13.65	6.35	957.34
8	957.34	13.56	20.00	13.56	6.44	950.90
9	950.90	13.46	20.00	13.46	6.54	944.36
10	944.36	13.37	20.00	13.37	6.63	937.73
11	937.73	13.28	20.00	13.28	6.72	931.01
12	931.01	13.18	20.00	13.18	6.82	924.20
Totals:			**$240.00**	**$164.20**		

Answer Key for the first activity under "Raising the Bar" (p. 83)

Month	Balance Owed	Interest Charged	Payment	Interest	Leftover	New Balance
1	$1,000.00	$14.16	**$50.00**	$14.16	$35.84	$964.16
2	964.16	13.65	50.00	13.65	36.35	927.81
3	927.81	13.14	50.00	13.14	36.86	890.95
4	890.95	12.62	50.00	12.62	37.38	853.57
5	853.57	12.09	50.00	12.09	37.91	815.65
6	815.65	11.55	50.00	11.55	38.45	9777.20
7	777.20	11.01	50.00	11.01	38.99	738.21
8	738.21	10.45	50.00	10.45	39.55	698.66
9	698.66	9.89	50.00	9.89	40.11	658.55
10	658.55	9.33	50.00	9.33	40.67	617.88
11	617.88	8.75	50.00	8.75	41.25	576.63
12	576.63	8.17	50.00	8.17	41.83	534.79
Totals:			**$600.00**	**$134.79**		

FAMILY ACTIVITY 10

Strengthening: What Does It Cost to Finance a Car?

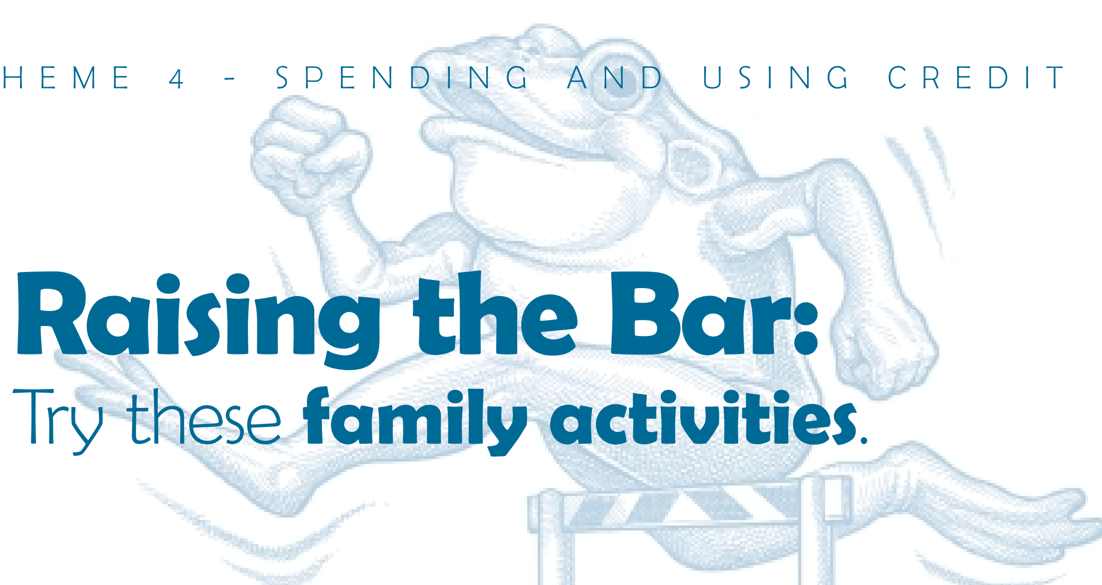
Imagine that your son or daughter is interested in buying a car and will be using credit to purchase it. Help your son or daughter select a car model and year that might be a realistic purchase. Or select the car of your dreams. Use that information to find out what a car loan would cost from various sources. You will need the car make, model, and year as well as the amount to be financed.

Compare car loan rates from a bank, a savings and loan, a credit union, and a car dealership. Use the same amount of loan and time to repay the loan for the comparison. Ask for the APR, finance charge, and other transaction fees.

Car Selected (Year, Make, and Model): ______________________________

Loan Costs	Amount Financed (Should be same for all)	Length of Loan (Should be same for all)	APR	Finance Charge & Other Fees (Total)	Monthly Payment
Bank					
Savings & Loan					
Credit Union					
Car Dealership					

You can also check out car loan prices on the Internet.



Raising the Bar:

Try these **family activities**.

1. Who wins with minimum payment? Making only the minimum payment is a bad idea. You pay more in the long run—often lots more. It can take forever to pay off a loan this way. Use Parent Activity Worksheet 9 to see the interest and balance paid on a loan by paying only the minimum. Do it over again paying a higher minimum—$50. Calculate the difference. Answers are on page 81.

2. Talk the talk. Because in most states binding contracts cannot be made with people under the age of 18, minors cannot get credit cards. But it is not too early for your son or daughter to start thinking about good credit use. Talk with your son or daughter about appropriate use of credit when you think about making big-ticket purchases. Often this boils down to setting priorities. For example, discuss with your teen whether a loan for the following items would be appropriate: big-screen television, used car, brand new sports car, college loan, personal loan to go on a spring break trip, and in-store financing on a new computer system. (Hint: there are no right or wrong answers. The choices depend on your family priorities.)

3. Avoid bad credit. A bad credit history, one of late payments, defaults, and even bankruptcy, can make car loans, home ownership, and even jobs impossible. Go to the Freddie Mac site **http://www.freddiemac.com/corporate/goodcredit/** for a discussion on the importance of credit.

4. Test your credit IQ. Here is an interesting online quiz site. Go to **http:www.quia.com/mc/7287.html** and match up the credit laws and terms with the right definitions.

Learn More:
Lit and Links.

Lit - Take it to the next level with **Books**:

Stanley, Thomas J. *The Millionaire Mind.* Andrew McMeels Publishing, 2000. The author emphasizes hard work, savings, and delayed gratification as the keys to getting rich. While all of us do not have a rich aunt to leave us lots of money, we all can develop the qualities discussed in this book.

Godfrey, Neale S. *Money Doesn't Grow on Trees: A Parent's Guide to Raising Financially Responsible Children*. Fireside Publishing, 1994. The author presents suggestions on how to teach money skills to children and teens—information on earning, saving, and spending wisely.

Godfrey, Neale S. *Neale S. Godfrey's Ultimate Kid's Money Book.* Simon and Schuster, 1998. This book is written for young people aged 9-12, but it offers lots of good and easy-to-read information, even for teenagers.

Links - Fine-tune your financial fitness on the **Internet!**

Visit **www.ncee.net** for more ideas, activities, and constantly updated links to great personal finance and economics web sites.

The following links were active at the time of publication. If you cannot find the link you are looking for, try the NCEE site for current replacements.

http://www.freddiemac.com/corporate/goodcredit
Freddie Mac provides loans for home ownership. Freddie Mac is very interested in assisting people in developing a good credit history. This site provides links to credit reporting agencies.

http://www.ftc.gov
Click on consumer protection. This is a government site providing information on consumer issues. Choose the credit option to view many reports on laws and guidelines for consumer rights and responsibilities in regard to banking and credit.

http://www.quia.com/mc/7287.html
This is a site supported by teachers. It provides a variety of interactive games on credit laws and terms. The site also has games for other disciplines, such as history, math, geography, and foreign languages.

http://www.bankrate.com
This is a site devoted to reporting interest rates for various institutions across the country. It also includes credit information, from definitions to current events. The calculator feature allows you to figure out loan payments, savings schedules, and more.

THEME 5

Maintenance: Protect Those Fab Abs and Plan for a Fit Future.

FAQs

No surprises is a good mantra for fiscal fitness success.

1. How does **insurance** work?

A pool of people (many people) pay insurance premiums. The premiums are relatively small, but the payback (if a covered loss occurs) is relatively large. The consumers are protected from catastrophic loss, and the insurance company makes money because most of the insured people will not suffer losses or file claims.

2. What **types of insurance** are available?

Insurance can be purchased on cars, houses, health, life, disability, and even travel. Within each type of coverage, there are varying premiums, deductibles, and payouts. A deductible is the amount you must pay first when a loss occurs. So, if you have a $500 deductible and your covered loss is $650, you would get $150 from the insurance company. Insurance policies with larger deductibles usually carry lower premiums. It is worth exploring every option when purchasing insurance.

3. What **types of financial institutions** are there and what services do they offer?

The main types of financial institutions are banks, savings and loans, credit unions, and brokerage houses. All offer deposit and credit services. **Deposit services** are checking and savings accounts. **Credit services** are mortgages, loans, and credit cards. **Investment services** are offered by many of them, especially brokerage houses.

4. How do you manage a **checking account**?

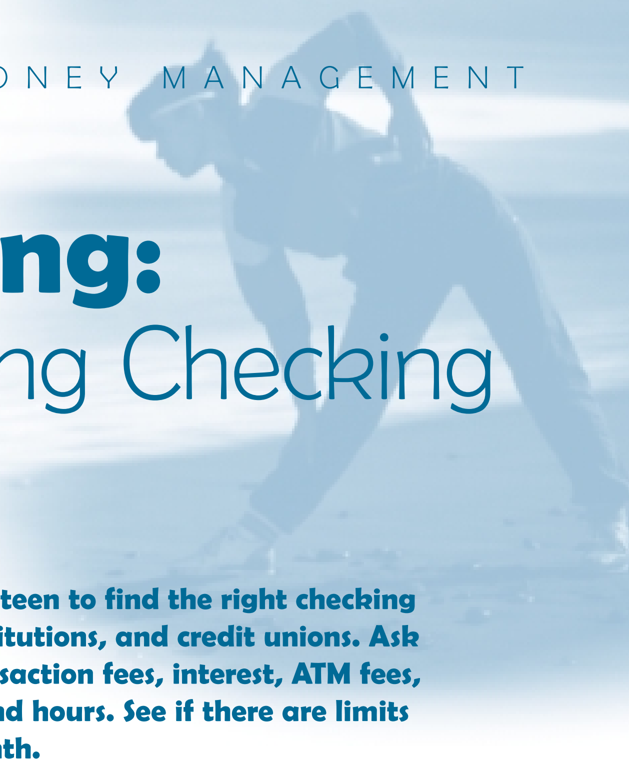
First, check out the different types of checking accounts. Some charge a monthly fee but require no minimum balance. Others require a minimum balance but charge no service fees. Some accounts link to several types of savings accounts and credit cards. Second, keep a record of all checks, deposits, and ATM transactions. Third, check your account record each month against your bank statement. Finally, use common sense about protecting your checking account. Treat your checkbook like cash, be careful to write checks clearly, and never sign blank checks—one without the amount or to whom you are writing the check (payee).

5. How do you create a **family budget**?

List **disposable income** (net or take-home pay). List monthly fixed expenses (like rent or mortgage, loan payments, insurance, Internet, and cable fees). List monthly variable expenses (groceries, clothing purchases, phone bills, etc.). Add up the two expense lists. Ideally, disposable income is greater than expenses.

6. What does **"pay yourself first"** mean?

It means treating savings as a fixed expense. Set aside the money before buying groceries, clothing, and gas for the car. Saving even a little bit every month can lead to a big gain later when interest grows your money.



FAMILY ACTIVITY 11

Stretching: Researching Checking Accounts.

Call or visit local financial institutions with your teen to find the right checking account. Check out banks, savings and loan institutions, and credit unions. Ask about any minimum balance, monthly and transaction fees, interest, ATM fees, online banking, additional services, locations, and hours. See if there are limits to the number of checks you can write each month.

NAME OF INSTITUTION			
Name of checking plan			
Monthly fee			
Transaction fees			
Interest paid?			
ATM fees			
Minimum balance			
Online service			
Additional services			
Location/hours			
Other			

There are a variety of financial institutions with a variety of savings and checking plans. For each plan, fill in the information on this worksheet. You will then be in a position to help your son or daughter choose a great checking account.

FAMILY ACTIVITY 12

Stretching:
$2000 Computer! $0 Down! 0% a Month! For Six Months!

Does this sound like a great deal? It may be. But whether you win or lose on this deal depends on your money management skills. Complete the worksheet below or create a spreadsheet to see whether you can make money on this deal.

Terms of purchase:

$2,000 computer all included!

$0 down payment
0% interest for 6 months

15% annual interest on balance beginning 6 months from now

No pre-payment penalty

Your checking account:

Balance of $2,000 paying 4% annual interest.

Assume you keep the $2,000 in your account earning interest until the date of the first payment, when you pay off the computer in full.

1. Calculate the **monthly interest paid** by your bank:
Annual Interest / 12 = .04/12 = ________% per month

2. Calculate the interest for the first month:
Interest Earned = Account Balance x Monthly Interest Rate

3. Add the monthly interest to the account balance and calculate the next month's interest on the new balance.

4. Continue in this way until you have calculated six months interest.

Month	Account Balance	+	Interest Earned	=	New Balance
1.	$2,000	+	$6.60 *(2000 x 0.0033)*	=	$2,006.60
2.	2,006.60	+		=	
3.		+		=	
4.		+		=	
5.		+		=	
6.		+		=	

Total Interest Earned = ______________

For six months you had the use of your computer and made money. Not a bad deal!

Answer Key for Family Activity 12

Month	Account Balance	+	Interest Earned	=	New Balance
1.	$2,000	+ *(2000 * 0.0033)*	$6.60	=	$2,006.60
2.	2,006.60	+	6.62	=	2,013.22
3.	2,013.22	+	6.64	=	2,019.86
4.	2,019.86	+	6.67	=	2,026.53
5.	2,026.53	+	6.69	=	2,033.22
6.	2,033.22	+	6.71	=	2,039.93

Total Interest Earned in Six Months = $39.93

FAMILY ACTIVITY 13

Strengthening: Researching Auto Insurance.

Have your son or daughter find out how much auto insurance costs. Some things that affect cost include the driver's age and sex, education, grades, and driving record. Other factors include where the car is driven and for what reason; the make, model, and age of the car; and type of coverage wanted.

Car insurance for young people costs quite a bit more than insurance for older, experienced drivers. Young men are going to pay the most until they are about 25 years old, with young women next highest until the same age. If you have an accident or are charged with a moving violation (speeding ticket, driving under the influence of drugs or alcohol, etc.), your rates also go up. Or you may find your insurance cancelled, and you will have to get insurance through an "assigned risk pool." Car insurance rates are higher for higher risk drivers.

Car insurance rates may also be reduced if the driver has taken certain driver safety courses or has an accident-free history. Each state makes its own rules regarding what insurance you must have, and insurance companies offer a confusing assortment of coverages.

The car you drive and where you drive also play a part. The newer the car, the more expensive it is to repair, and the more likely it is to get stolen (more risk, higher cost to insure). Sporty cars are more costly to insure, and if you drive in a high population area your rates will be higher than in a rural area (translate that to less traffic—less risk of accident). There may be reductions for such items as antilock brakes, passive restraints, or antitheft devices.

As the parent of a young driver, you will find that your car insurance goes up when your son or daughter is licensed, unless he or she has car insurance separate from yours. So checking out car insurance together makes sense if your son or daughter is approaching the driving age.

If you have car insurance now, list the coverages you have and their cost in the worksheet chart. If your son or daughter is considering buying a car and insuring it, you can help him or her determine which coverages will be needed. It will pay you both to check out several insurance companies to see how they compare. (And if a car is not in your immediate future, perhaps you'd like to check these costs to see how much you save by using shoe leather and public transportation.)

What are coverages?

Liability coverage means if you damage someone or something with your car, your insurance company will pay the cost of the damages. The **limits** are the maximum amount the company will pay.

For example, limits of $100,000/$300,000 for **bodily-injury liability** mean the company will pay up to $100,000 per person, and $300,000 total for damages to others as a result of an accident for which you are responsible. Liability limits of $50,000 for **property damage**, for example, would cover the costs of damages up to $50,000 to a house, bridge, or telephone pole because of an accident.

Comprehensive coverage is the part of the insurance that pays if your car is damaged by something other than a collision. For instance, if you go out to your car one morning and find that a big tree has fallen on the car and squashed it, your comprehensive would cover the repairs (less any deductible).

Collision coverage means that if you are in a "fender bender" and your car is dented, damaged, or demolished, your collision coverage pays for repairs (again, after your deductible) if you are responsible for the accident.

Other coverages protect you if you are involved in an accident with an uninsured motorist. Talk with an insurance agent (or several) to find out what coverages and limits are best for your family.

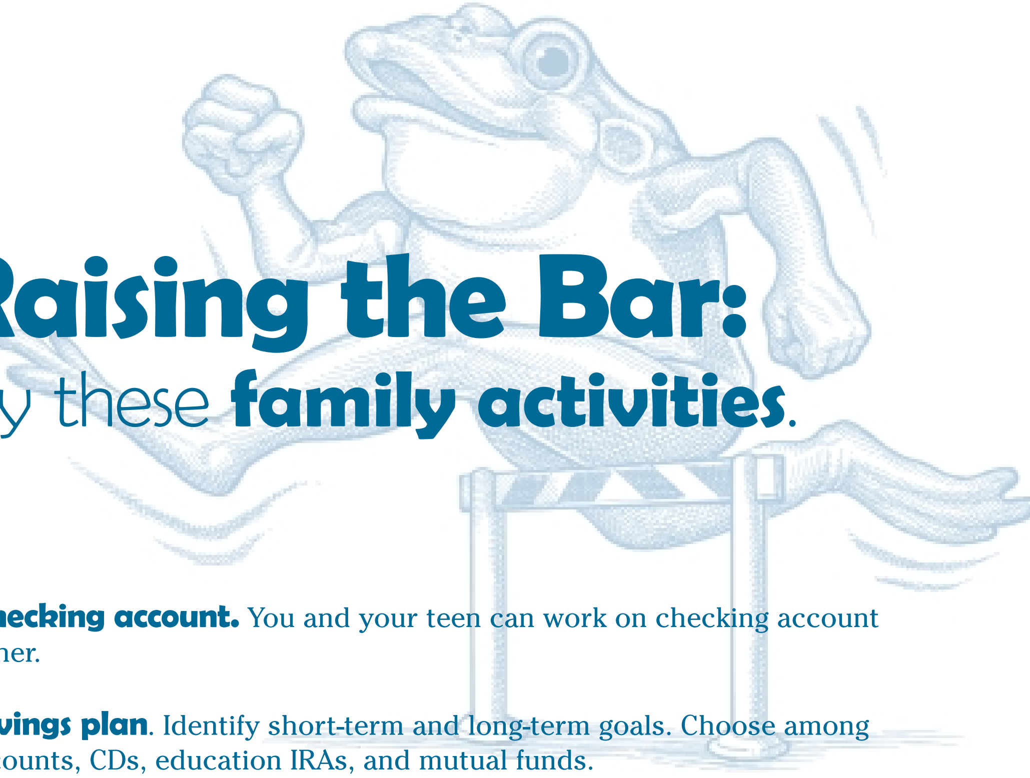
Car: Make____________________ **Model**______________ **Year**______________

Coverages	Limits	Deductible	Annual Cost #1	Annual Cost #2	Annual Cost #3
Bodily injury liability					
Property damage liability					
Comprehensive					
Collision					
Uninsured motor vehicle					
Others					

Insurance Company #1 ____

Insurance Company #2____

Insurance Company #3____



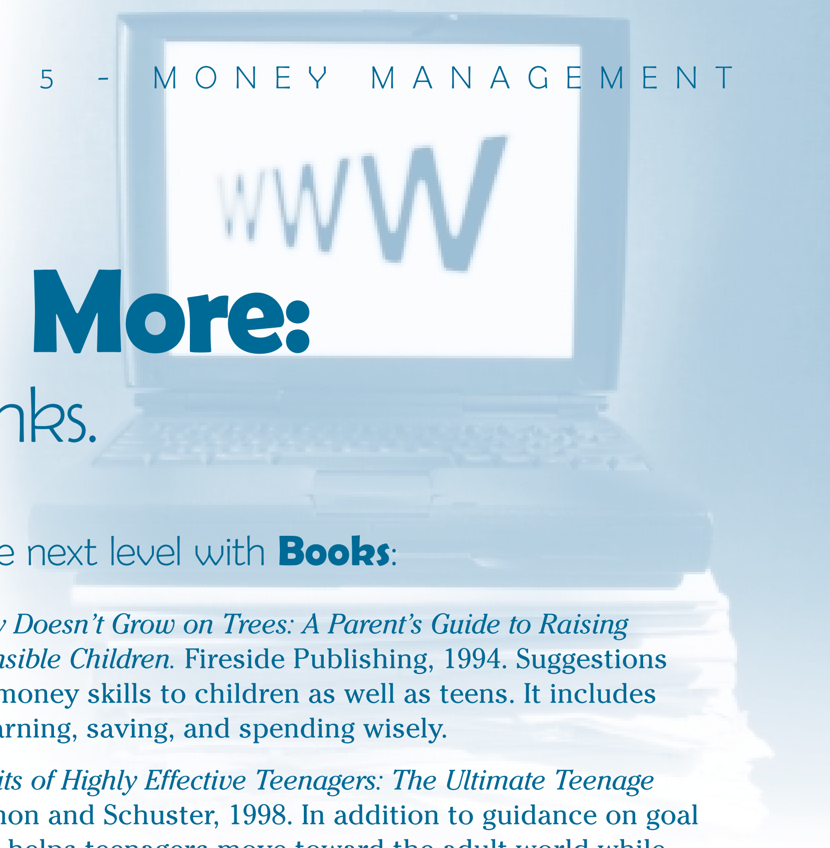
Raising the Bar:
Try these **family activities**.

1. **Open a checking account.** You and your teen can work on checking account skills together.

2. **Start a savings plan**. Identify short-term and long-term goals. Choose among savings accounts, CDs, education IRAs, and mutual funds.

3. **Talk about insurance.** Talk to an agent in person (with your teen) or check out insurance companies on the Internet.

4. **Real life/real budget.** Have your teen describe a dream life on paper. List the expected expenses: rent, food, utilities, transportation, health/auto insurance, etc., as well as the extras such as cable TV or an Internet connection. Add this up. Now look at starting salaries for the type of job your teen imagines. Will the income support the lifestyle? Is there a way to save toward these goals? Can the expenses be trimmed and the income boosted?



Learn More:
Lit and Links.

Lit - Take it to the next level with **Books**:

Godfrey, Neale S. *Money Doesn't Grow on Trees: A Parent's Guide to Raising Financially Responsible Children.* Fireside Publishing, 1994. Suggestions on how to teach money skills to children as well as teens. It includes information on earning, saving, and spending wisely.

Covey, Sean. *Seven Habits of Highly Effective Teenagers: The Ultimate Teenage Success Guide.* Simon and Schuster, 1998. In addition to guidance on goal setting, this book helps teenagers move toward the adult world while handling challenges and decisions.

Links - Fine-tune your financial fitness on the **Internet!**

Visit **www.ncee.net** for more ideas, activities, and constantly updated links to great personal finance and economics web sites.

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