

Listen Up! Money Talks

What do you want in life? Maybe you're hoping to travel the world. Start a business. Buy a home. Whatever your hopes and dreams are, money's going to make them happen. But how do you get it?

You already know the basics: education and hard work. But there's another piece of the puzzle. To make money, you need to understand what money is, how it works, and how to make it work for you.

When you were a kid and you got some birthday money or an allowance, you blew it on candy or toys. Now that you're a teen, you're looking at bigger goals. Maybe you want a college education, a car, or to plan for a trip. You may already be working part-time, or thinking about getting a full-time job.

Real goals and real jobs mean real money—and the more money you have, the more you need to know how to handle it, where to keep it, how to keep it safe, and how to make it grow.

That's where banks and bankers come in. Their job is to help you make your money work for you. So get moving—and get your money moving, too. Because the more you know about money, the closer you'll be to getting what you want in life.



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Vocabulary

Annual Percentage Rate (APR): the percentage of interest you will pay on the unpaid balance of a credit card or loan over the course of one year

Annual Percentage Yield (APY): the percentage of interest earned on a savings account

Automated Teller Machine (ATM): a machine at which you can withdraw cash, make deposits, get balances, and transfer money between accounts

Balance: (1) the amount of money remaining in a bank account; (2) the unpaid portion of a bill

Certified check: a personal check that your bank guarantees it will honor

Checking account: a bank account from which money may be withdrawn by writing a check

Checking fee: the amount of money that a bank charges for maintaining a checking account

Collateral: property pledged to a lender by a borrower as a backup source of loan repayment

Credit card: a card that may be used instead of cash for some purchases, a portion of which must be paid each month with interest accumulating on the unpaid balance

Credit rating: a rating by which banks and other businesses determine whether you are a good credit risk to loan money to

Credit report: a report that provides information on where you work and live and how you pay your bills

Debt: the amount of money you owe to other people or businesses

Deposit: to put money into a bank account

Finance charge: money you pay in the form of interest on the unpaid balance of a bill

Gross pay: the amount of money you are paid before any deductions are taken

Income: the total amount of money you earn from employment and other sources

Interest: the percentage you earn from your deposits in a bank account or the percentage you pay on a loan

Loan: money that you borrow and then pay back in installments over a set period of time

Minimum balance: the least amount of money that you can have in a bank account

Money order: a check that may be purchased with cash at a bank or post office

Paycheck: a check by which you are paid a wage for regular employment

Pay stub: a detachable portion of a paycheck, which you keep for your records after depositing the paycheck in the bank

Payment guarantee: an assurance that you have enough funds available to cover the amount of a check

Personal check: a check for personal use that has your name and address on it

Principal: an amount of borrowed money, not including interest

Salary deductions: money taken out of your wages for federal, state, and local taxes, as well as for Social Security and other benefits (such as, health insurance and pension funds)

Savings account: a bank account that pays interest on the money deposited in it

Take-home pay: the amount of money remaining in your paycheck after deductions (taxes, Social Security) have been taken (also called **net pay**)

Term: the period of time within which a loan must be repaid

Transfer: to withdraw money from one account and deposit it in another

Withdraw: to take money out of a bank account



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My Financial Goals

Some of your financial goals may be short-term. Some may be long-term. Perhaps you're thinking about...

Buying and maintaining a car, going to college, taking a trip, renting your own apartment, buying a computer and software.

Thinking It Through

How will you get the money you need? To start answering that question, fill out the charts on **Charting My Future**.

Subtract your total monthly expenses from your total monthly income. How much is left over? \$ _____

If you saved all of the leftover money every month, how long would it take you to save for your long-term goals? _____

Do you make enough money to pay for all your long-term goals? _____

If the answer to the last question is NO, you'll need some help in thinking about and planning for your long-term goals. A good way to start getting that help is to ask a parent or family member.

Start Talking

You've made a good start by writing out your goals and working through your own budget. Now, seek the help you need to meet your goals—sit down with a parent or family member and start talking. Use some of the questions below to get your conversation going, and take notes in the space provided.

Here are my goals, and here are my expenses and income. It would take me _____ (time period) to save enough money to meet my goals. Can you help me figure out some ways to either increase my income or decrease my expenses? _____

Are there other ways to get some of the money I need? (Are there college loans or auto loans available? Are there gifts of money that I can count on for a major birthday or high school graduation? Can I invest some money to earn interest?) _____

How could I adjust my goals to fit my budget? _____

Is there something you do to manage our family budget that I could do to help manage my personal budget? _____

Have you ever had to put off or not make a purchase because you couldn't afford it? How did you deal with the disappointment? Did you find a better way to save for the next thing you wanted? _____

After you've discussed your plans, you may have some better ideas for reaching your own financial goals.

On **Charting My Future**, insert your own goals, your own steps, and your own purchase dates. It will help to manage your money in the future.



Charting My Future

My Long-Term Goals

What I want:	When I want it:	What it costs:

How long it will take to save for it based on my income and expenses:

My Income	Per Month	Per year (multiply by 12)
Take-home pay (income after taxes)		
Allowance		
Gifts		
Odd jobs (babysitting, yard work, etc.)		
Other		
TOTAL INCOME		
My Expenses	Per Month	Per year (multiply by 12)
Entertainment (movies, CDs, activity fees, etc.)		
Clothes		
Food		
Gifts (birthday or holiday)		
Charity		
Other		
TOTAL EXPENSES		

My Financial Timeline

Planned expense	Step One	Step Two	Step Three	Step Four	Step Five	Step Six	Purchase date



Credit—or?

These days, it's incredibly easy for teens to get credit cards. This isn't necessarily a good thing.

Credit cards are convenient, and they allow you to buy what you want when you want or need it. Using a credit card may seem like free money, but it's actually the opposite. It's the most expensive money you can find. Here's why.

When you use a credit card, you're borrowing money from a bank or a credit card issuer, depending upon which has issued it. As you spend on credit (using your card), interest is charged on your loan that can run higher than 20 percent. With other types of loans, you might be asked for collateral (or something of value) that proves you have the money to pay it back. These are "secured loans." Credit card debt is "unsecured," which means that the credit card issuer is taking a bigger risk to lend you the money because you provide no collateral to guarantee that you can pay it back. Therefore, a higher rate of interest is charged for an "unsecured" or higher-risk loan.

Credit card issuers provide this necessary service to fill a real need. Using a credit card responsibly enables many people to buy the things they want. The interest that you pay to a credit card issuer is money that the issuer may then use to extend more credit to others who need it. Spending on credit responsibly helps stimulate the economy and keeps the money moving.

Here's what a credit card bill looks like: →

The longer you take to pay your credit card loan, the more money the credit card issuer makes. If you consistently make the minimum

payment on your loan, you could wind up paying double or triple the amount you borrowed.

This doesn't mean that all borrowing is a bad idea. In fact, if you pay your credit card debt on time, you earn a high credit rating, which makes it easier to get bank loans when you need them. And bank loans can be the key to success. They can help you pay for school, your home, a new business, home improvements, and pretty much any other major expense you can think of.

If you really do want to make money, you'll need credit. You'll take out loans. And you'll need to make your payments on time.



Credit Card Statement

Information as of **Sept. 07, 2004**
Current Balance **\$251.20**

Account Summary

credit limit	\$ 1,000.00	previous balance	- 141.04
credit available	\$ 748.80	payments and credits	+ 141.04
cash credit limit	\$ 500.00	finance charges	0.00
cash available	\$ 500.00	purchases	\$ 251.20
		cash advances	0.00
		balance transfers	0.00
		new balance	\$ 251.20
		minimum payment	\$ 15.00

Transactions (since your last statement)

Payments and Credits

Aug. 05 2004	Payment. Thank You	\$+141.04
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New Activity

Aug. 06 2004	Computers Etc., MI	\$63.57
Aug. 06 2004	All-Star Sports Gear, MI	\$102.31
Aug. 22 2004	Kelly's Gift Shop, MI	\$50.15
Aug. 23 2004	Al's Record Store, MI	\$35.17