



The Power of Planning

LESSON 1

Explore saving and spending toward multiple life goals with an activity that considers short- and long-term financial time horizons.

Objective

To help kids analyze how a budget can help people achieve their financial goals and create a long-term financial plan for their future.

1 Introduce the concept of a financial time horizon by asking what your child will spend money on as they get older. Create a timeline on a blank piece of paper, listing the items they describe buying at different periods in their lives (cars, homes, college education, etc.). Point out that as people mature, they need to plan far into the future in order to afford big purchases. Finance experts call this having a long-term financial horizon.

2 Explain that it's never too early to start saving and multiplying their money. One of the most powerful tools in financial planning is time, so making smart spending, saving, and investing decisions now will set them up for a more secure financial future. Give an example of investing, such as putting your money into a business to make a profit. Write the following information on a blank piece of paper:

3 Define the terms *income* (sources of money) and *expense* (the cost of a purchase). Provide guidance to see that in Nikki's budget, total income and total expenses are equal.

4 Provide guidance to predict what could happen if Nikki continues to spend as much as she earns, without investing or saving more. Help them understand:

- In the **short term (one to four years)**, if Nikki wanted to buy a \$100 easel, she would need to save money until she had enough.
- In an **intermediate period of time (five to 10 years)**, Nikki won't be prepared for college costs, travel, or unexpected expenses like car repairs or be able to donate to charitable causes.
- In the **long term (decades later)**, Nikki will not have saved enough money to retire (stop working).

5 Analyze Nikki's budget and brainstorm ways she could (1) cut her expenses (eliminate or reduce nonessential items and save that money toward goals), and (2) increase her income in order to save (walk more dogs, get another job, etc.). Emphasize that if you know what's coming on your financial horizon, you can build wealth and be prepared for costly emergencies.

6 Hand out the activity sheet. Provide guidance to complete the top side to set financial goals and classify each as having a short-, medium-, or long-term time horizon.

NIKKI'S WEEKLY BUDGET

INCOME

Allowance	\$10
Dog Walking	\$25
Birthday Gift Card	\$50
	<u>\$85</u>

EXPENSE

Snacks	\$10
Movies	\$15
Art Supplies	\$20
Video Game	<u>\$40</u>
	<u>\$85</u>



ACTIVITY 1

Name _____

Invest for Your Future!

**MONEY
CONFIDENT Kids**
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Know your financial goals and options to make choices that pay off. It's never too early!



Set Your Goals

1 Think about the things you would like to spend money on now and in the future. Write each expense in its appropriate section to the right.

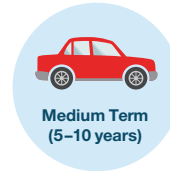
2 Choose the most important goal in each category and circle it. Which is the best investment strategy for achieving this goal: saving, investing, or both?



Short Term
(1–4 years)

example

Adopt a cat



Medium Term
(5–10 years)

Buy a car



Long Term
(11–30 years)

College savings

Investment Terms Glossary

ASSET Anything that has financial value (a house, property, belongings, etc.)

BOND A loan that pays the investor interest.

CERTIFICATE OF DEPOSIT (CD) A bank account with a higher rate of interest than a savings account. Money is expected to remain untouched for a set period of time.

DIVERSIFICATION An investment strategy that reduces risk by distributing funds among different investments.

INTEREST Money paid by the borrower to the lender for the use of the money lent. Interest is expressed as a percentage rate on the amount borrowed.

MUTUAL FUND A type of investment in a variety of stocks, bonds, and other assets.

STOCK An investment that involves partial ownership in a company with potential to share in its profits.