MONEY CONFIDENT Kids®

Presented by T. Rowe Price®

TIME HORIZON LESSONS

Recommended for Grades 6–8

Program Summary

LESSON 11

We hope you enjoyed this program and are inspired to think about your future and how careful financial planning can help you reach your goals.

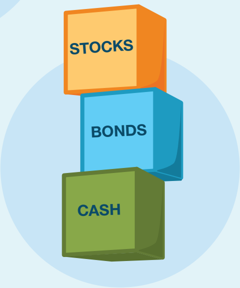
Objective

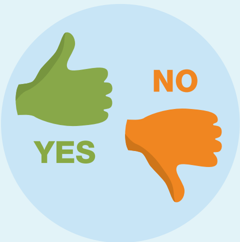
Use these summaries to provide a visual overview of each financial concept, giving both educators and students the confidence and enthusiasm to tackle each step.

1 **Review** the five financial concepts that students have learned over the course of the Money Confident Kids program and help them understand how each of the concepts build off one another to help achieve their financial goals.

- **Goal Setting**
  Saving money starts with setting a financial goal.
- **Decision-Making**
  We all have limited time and money, so making deliberate spending decisions—and resisting impulse buys—is a key financial strategy.
- **Money and Inflation**
  It's important to learn the value of a dollar and how the value of money can change over time.
- **Asset Allocation**
  How your money is divided among stocks, bonds, and cash according to your financial time horizon is key to achieving long-term financial goals.
- **Diversification**
  Putting your money in different types of investments to help reduce the risk of losing your money.

2 **Share** these financial summaries as a visual resource and use them as a complement to the program lessons.

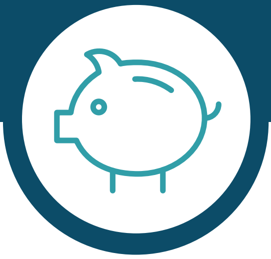




All investments are subject to market risk, including the possible loss of principal. Diversification cannot assure a profit or protect against loss in a declining market.

Goal Setting

Saving money starts with setting a financial goal. Learn how to save your money, consider what you want to achieve, and then commit to it in six easy steps!



1. Discover what matters

What's important to you? Whatever it may be, your goal is connected to what's valuable to you.

2. Be as specific as possible

In order for you to achieve your goal, you have to clearly define what you want to achieve. Write it down and put it in places you'll see often.

3. Set a budget

Preparing and following a budget can help you increase your income, reduce your expenses, and end up with more savings. Just remember, income – expenses = savings.

4. Keep track of time

It's important to track your goal to a specific date or time frame. This is also referred to as a time horizon, which is a future point in time when you will need to access your savings. Remember, your goal may challenge you, but if you keep at it, you'll get there!

SHORT-TERM TIME HORIZON

MEDIUM-TERM TIME HORIZON

LONG-TERM TIME HORIZON

Know-It Note

- If your goal is something you need immediately or within a couple years has a short-term time horizon.
- Something you save for over several years, such as a car, has a medium-term time horizon.
- Something you save for that will happen many years or decades in the future, like retirement, has a long-term time horizon.

5. Keep it up!

You may have to make trade-off spending decisions to stay on track. Focusing on what's important and what you want to save for can lead to forming good financial habits at an early age and help achieve your goal.

6. Achieve your goal!

Decision-Making

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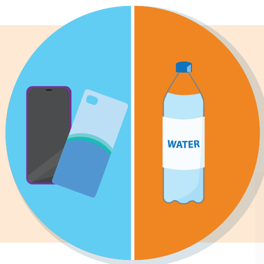
We all have limited time and money, so making deliberate spending decisions—and resisting impulse buys—is a key financial strategy. Learn how to do it in five simple steps!

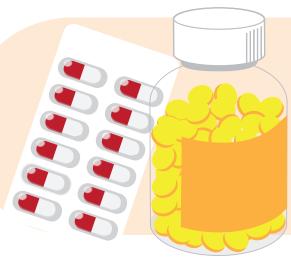
1. Determine wants vs. needs

Needs are the things you must have to survive. Wants are the things you would like to have but don't really need.



Know-It Note

- Food, water, and medicine or things that will help you achieve your financial goals are typically needs.
- You don't really need a cool pair of jeans or a new phone cover, so those are typically wants.



2. Ask yourself why and when

Understanding the purpose of buying something and when you will need it helps with making smart spending decisions.

3. Say "no" to impulse buys

To get the most value for your money, think through your spending decisions carefully and resist buying on impulse.

4. Spend wisely

An important part of making wise financial decisions is understanding trade-off decisions, meaning thinking about how much we spend and whether or not that can hinder or help us achieve financial goals.

5. Stay focused

If we keep our focus on what we really need rather than what we want, we'll have more money in the long run and a more secure financial future.

Money & Inflation

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It's important to learn the value of a dollar and how the value of money can change in the future. Inflation is the increase in the price of goods and services over time, which means that long-term financial goals could cost more than they do today. Read these steps to determine how inflation can affect your purchasing power in the future.

1. Know the power of your purchase

Inflation causes money to lose value over time, and as money loses its value, your purchasing power is less. If your purchasing power is less, your long-term financial goals will cost more.

Know-It Note

- Inflation is an economic force that reduces purchasing power, meaning that a dollar buys less than it used to.
- Inflation is expressed as a percentage increase. If the price of an item was $100 on January 1, 2019, and $110 on January 1, 2020, the annual inflation rate for that item was 10%.

2. Remember why inflation is important

When you start saving for a goal, keep in mind that it will probably cost more in the future. Factoring in the effect of inflation can help you make sure you save enough for your long-term goal.

3. Figure out your time horizon

When you're planning for a financial goal with a long-term time horizon, you need to consider and plan for the effects of inflation.

4. Make a plan

Plan to start investing early and consider your time horizon (the length of time between now and when you'll achieve your financial goal), and you'll have a better chance of having enough money when you need it.

5. Consider your future

Part of planning ahead is considering what major purchases may come up down the road. What will it cost to buy a home in 10, 15, or 20 years? You might know the price of something today, but because of inflation, it could change a lot in the future.

Asset Allocation

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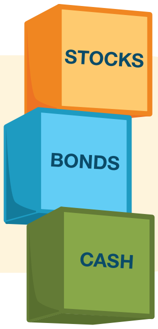
Asset Allocation is how your money is divided among stocks, bonds, and cash according to your financial time horizon and is key to achieving long-term financial goals. Read how to achieve your long-term financial goals in these five steps below!

1. Understand the building blocks

There are three basic building blocks to developing an asset allocation strategy: Cash, Bonds, and Stocks. Each investment type has a risk (the danger of losing money) but also a reward (the chance to make money).

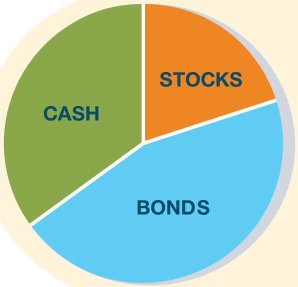


2. Sort out your goals

Plot your goals along your time horizon to figure out whether your goal is a short-, medium-, or long-term goal.

3. Ask the important questions

How long do you have to save for each of your financial goals? How long do you need your money to last? For goals like college and retirement, your money will need to last over several years. Asking these questions will put you on the right path to making choices that pay off.



4. Pay attention to your time horizon

Remember, your investment mix can shift based on your time horizon. When you get closer to needing your money, you will most likely need to rebalance your investment "building blocks" to reduce your risk.

5. Know your options

Think about the things you would like to spend money on now and in the future, and figure out which investment strategy will help you achieve your financial goal: saving, investing, or both? It's never too early to start planning for long-term financial goals. They may seem far off now, but planning today will help you have a secure financial future.

Know-It Note

- Each investment type has a risk (the danger of losing money) but also a reward (the chance to make money). Long-term goals can accept higher risk than short-term goals because they have more time to recover any losses.
- Bonds – low to moderate risk of losing money but won't be enough to reach long-term goals by themselves.
- Low-risk choices are safer (especially in the short-term), but the trade-off is that you have less chance of a big payoff.
- Cash – low risk of losing money but won't be enough to reach long-term goals by itself.
- High risk means you have a greater chance of losing money, but if you do gain money, you can gain a lot. The most appropriate time for riskier choices is in the medium- or long-term.
- Stocks – high risk but has potential to earn the most money over time but also potential to lose money too.

Diversification

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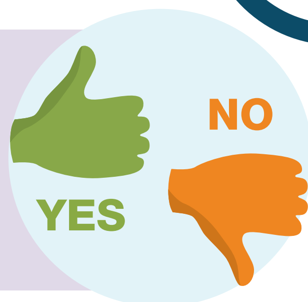
Ever heard the old saying, “Don’t put all your eggs in one basket?” That’s the idea behind diversification, which is really just another way of saying you should be putting your money in different types of investments to help reduce the risk of losing your money. Learn how to diversify your finances with these four easy steps!

1. What’s risk got to do with it?

Risk is the possibility of losing some or all of your investment. How much risk you are willing to accept is your risk tolerance. Several factors, such as age, income, and your financial goals, can affect your tolerance level. Note that your risk tolerance can change over time based on economic and/or personal life events.



Know-It Note
Remember to invest in:

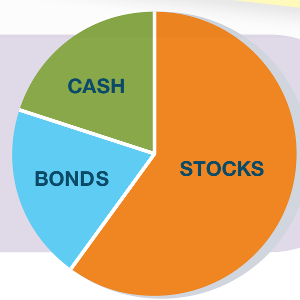
- Stocks from different industries—Sometimes, events happen that help or hurt almost all the companies in a specific sector.
- Stocks from different parts of the world—Consider a mix of companies based in the U.S. and other countries.
- Stocks from different-sized companies—It’s good to have a mix of funds with the stocks of small, medium, and large companies.

2. Spread it around

You don’t want your financial future to be dependent on a single investment. The prices of stocks go up and down for many different reasons. Because it’s impossible to know what the future holds, it’s important to diversify your investments so that bad times for some companies don’t sink your whole portfolio.

3. Remember to rebalance, pay attention

Remember to rebalance your investment mix to ensure that your portfolio still fits your financial goals, time horizon, and risk tolerance. Not adjusting it may lead to increased risk and exposure to investment losses.



4. Stay focused on long-term goals

Maintain a long-term approach focusing on your long-term financial goals by having a well-diversified portfolio. This will help your investments grow over time by reducing the overall risk of your investments.

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