



Own your tomorrow™



Putting kids on the road to financial independence.

Schwab MoneyWise® Guide for Parents:
Tips and tactics for kids of every age.

Working together to improve financial literacy.



A message from
Carrie Schwab-Pomerantz.

Financial literacy is an essential life skill. Yet too many Americans from all walks of life struggle with the basics. And while understanding personal finance is just as important as reading and writing in today's world, it's rarely taught in schools and is often not discussed at home.

The key is to begin while our children are young, before they're in a position to make a serious misstep. And the good news is that teens *want* to learn. In Schwab's 2011 national survey of teens and money, 80% of 17-year-olds indicated that they want to master money management.

That's the purpose of Schwab MoneyWise®—to support teaching and learning about the basics of managing money, handling credit, saving, and investing. Using practical tips, tools, and simple steps, we aim to help parents, teachers, and children to improve their chances for financial success.

Please share the ideas and activities in this booklet with a child you care about. Working together, we can open the door to a lifetime of opportunities.

Carrie

Carrie Schwab-Pomerantz
President
Charles Schwab Foundation



Simple ways to help kids learn about money.

Kids need your help to learn the basics of managing money. And you don't have to be a financial whiz to get started. With the right tools, your own life experience, and practice, you and the young people in your life can master the fundamentals.

75%

75% of teens consider learning about money management one of their top priorities.*



*Charles Schwab 2011 Teens & Money Survey

\$29K

71% of college graduates in 2013 had student loan debt averaging \$29,400 per borrower.†



†The Project on Student Debt, 2013

43%

43% of millennials used non-bank borrowing, such as payday loans and pawnshops, in the last five years.‡



‡2012 National Financial Capability Study

Start the conversation.

Talking about money can be uncomfortable. In fact, according to our 2011 Teens & Money Survey, 69% of parents feel less prepared to give teens guidance about investing than they do about sex. Here are some guidelines to make your conversations easier.

Make talking about money a part of everyday life.

On a trip to the store or while planning a family vacation, talk about how you budget and save.

Set a good example.

Probably the most important influence on your kids is what they see you do with money.

Use activities that fit your child.

Consider your child's age and personality. Make your talks and activities relevant to their experience.

Talk to girls and boys in the same way.

They need to learn the same lessons about spending, saving, borrowing, and investing.

Try to be open about family finances.

Find areas where you're comfortable involving kids in family financial decisions.

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How to make saving a habit.

Even the youngest kids can understand the idea of setting goals and saving to reach them. And they'll enjoy seeing their money add up. Plus, the earlier kids start developing good habits, the more likely they are to achieve financial independence later on.

Set savings goals.

What do your kids want from their money—a video game, a bicycle, a special trip? What about college? Saving for a goal is a good way to instill the savings habit. Have your kids:

- Write down both a short- and a long-term goal, and attach a price to each. Then map out how long it will take to reach them.
- Set aside at least 10% of their allowance, monetary gifts, and other income toward their goals.

Show that time is on their side.

When it comes to saving, time is every kid's greatest asset. The sooner they start, the longer they have to save and the more money they'll end up with.

Explain about earning interest. Particularly for younger kids, the idea of earning even a few pennies in interest can be very motivating.



Make giving a family thing.

Learning to save and learning to give go hand in hand. You can make philanthropy a family focus by doing these things together:

- Volunteer as a family. It will help kids appreciate what they have—and realize how they can make a difference for others.
- Let kids research and choose an organization to support.
- Match your kids' donations dollar for dollar to show your support.
- As a family, talk about how to divvy up your donations to support your favorite causes.



Savings activities

Young kids

Suggest that they decorate separate jars for each savings goal. Create a bulletin board to track progress. Get the whole family involved.

Middle schoolers

Help your child open a savings account. Shop for an account with no fees. (Your own bank may be willing to negotiate.) Don't forget to bring your child's Social Security number to open the account.

Teens

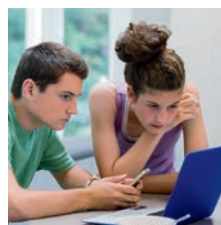
If you have teens who work, help them set up direct deposit to put part of every paycheck into a savings account.

All kids

Help jumpstart a child's savings with \$50 to \$75. Then, as an incentive, consider matching their savings (say, 25 cents or 50 cents on the dollar). Or offer bonuses if they reach their goals. It shows you support their efforts.



How long will it take to reach a savings goal?



Use the [Savings Calculator](https://www.schwabmoneywise.com) on [schwabmoneywise.com](https://www.schwabmoneywise.com) under [Calculators & Tools](#) to find out.

Spend smarter— and save toward goals.

Parents often worry that their kids might make financial missteps, such as taking on too much debt, or living beyond their means. To help your kids avoid these mistakes, teach them how to plan and take charge—for today and tomorrow.

Making money decisions.

Kids need to have their own money before they can really learn to value it. Giving them an allowance is a good first step. As they get older, they'll have other ways to earn money, like a part-time job.

Whatever the source, the important thing is to let kids make their own spending decisions—and mistakes—while the stakes are low.

The basics of budgeting.

To introduce the concept of budgeting, have kids track their spending by writing down every purchase for a week or two. This will show them where their money is going. Then take it a step further by having them:

- Add up their income (from allowance, gifts, or a job).
- Write down all their expenses, including savings.
- Do the math. Is the difference positive or negative?

If they come up short, talk through the budget and discuss where they can make trade-offs.



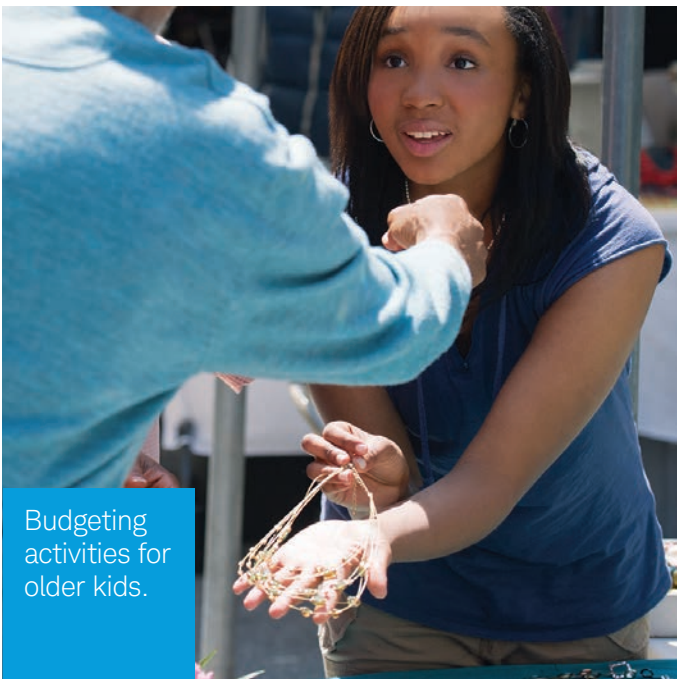
Ever wonder where all your money goes?

Our online **Monthly Budget Planner** can help you and your kids stay on top of expenses.

Go to [schwabmoneywise.com](https://www.schwabmoneywise.com) and click on [Calculators & Tools](#).



Spending activities for younger kids.



Budgeting activities for older kids.

Help a preschooler begin to understand the value of money by giving her a few dollars to buy a nutritious snack. Let her pay for the snack herself, get a receipt, and keep the change. Encourage her to put the coins in her piggy bank.

Turn a trip to the grocery store into a real-life lesson. Have your child guess how much the total bill will be while you're waiting in the checkout line. Or try a bargain-hunting game—can he find a box of cereal for \$3?

Make budgeting fun by letting kids plan a trip or an outing.

1. **Give them a budget**—\$1,000 for a family vacation or \$100 for a family night out, for example.
2. **Have them research and estimate expenses** for travel, lodging, meals, and activities.
3. **Let them be creative and make trade-offs to stay within budget.** For example, if dinner and a movie exceed the budget, help them find a free event in the local newspaper.

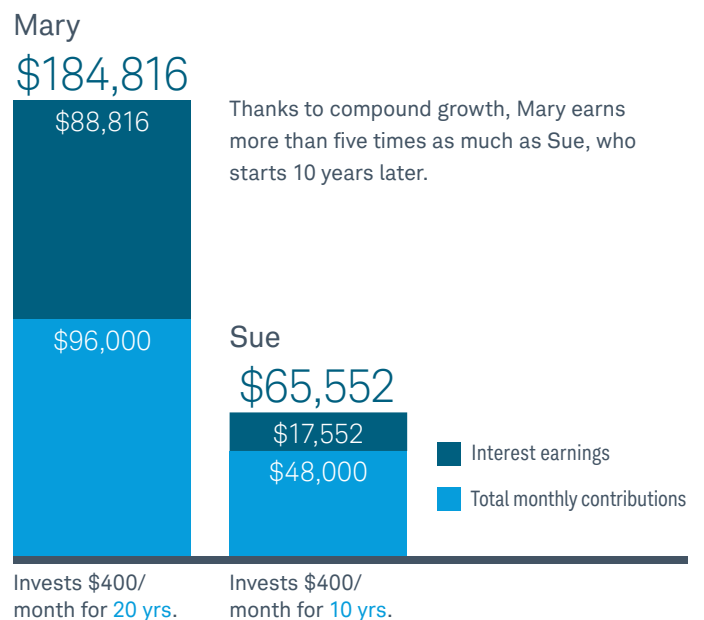
Be a hands-on credit and investing coach.

When kids are old enough to handle larger amounts of money, discuss the importance of managing debt and investing for the future.

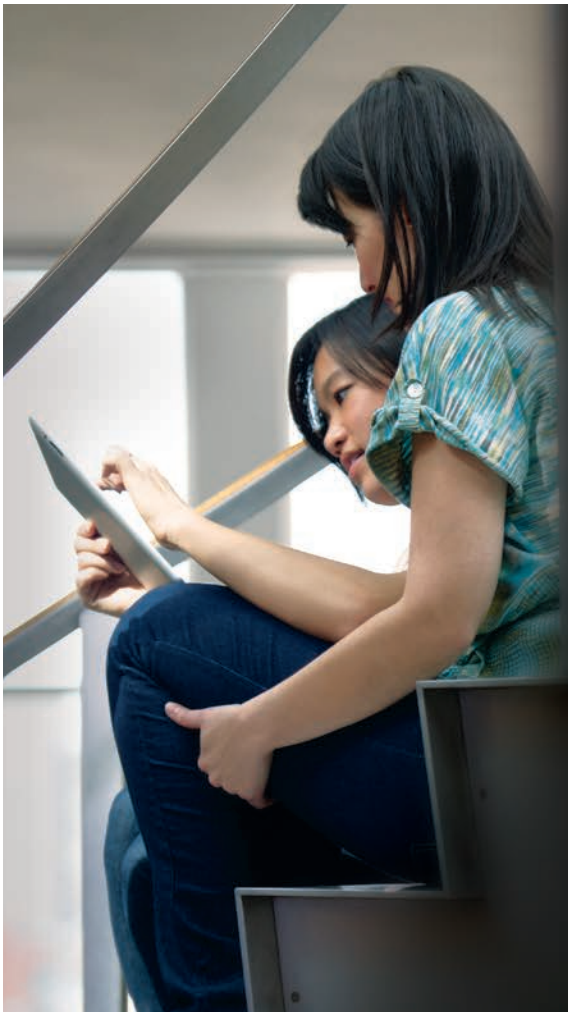
Teaching them how to use a credit card may help teens avoid the pitfalls of credit card debt that many college kids fall into. To help your teen handle credit wisely, be sure to:

- Explain that credit cards are useful as long as you can pay off what you charge each month.
- Discuss how interest and late fees add up if you don't pay off the balance.
- Explain that credit cards are best used with care—not for day-to-day purchases under \$10.
- Explain credit scores. Help teens understand that a low credit score could follow them for years, potentially affecting their ability to get a loan, an apartment, or even a job.

The value of investing early.



Note: Example is hypothetical in nature and assumes a consistent annual rate of return of 6% compounded monthly. Inflation, taxes, and expenses are not factored in. Not intended to predict or project the performance of any specific investment.



Investing 101.

This is a short list of commonly used terms that describe investing principles. Understanding these terms will help your kids see the benefits and risks of investing.

Investing: Using your money to try to create more money.

Long-term investing: Keeping money invested longer helps you weather any natural ups and downs in interest earnings.

The power of compound growth: Compounding helps enhance growth when your original investments plus their earnings grow over time. The earlier you invest, the greater the impact of compounding.

Risk and reward: Stocks, bonds, and mutual funds are riskier than a savings account, but they have the potential to earn a higher return.

Diversification: It's risky to put all your eggs (investments) in one basket. By spreading your investments across different types of investments and different business types, you can reduce risk of loss. But keep in mind that diversification doesn't ensure a profit, nor does it completely eliminate the risk of investment loss.

Credit card activities.

- 1 First open a checking account. Teach your teen how to use a check register and review monthly statements online or on paper. Be sure he or she knows how to pay bills before using a credit card.
- 2 Start with a cosigned card. Set a limit of \$500 or less, and set some ground rules for how and when to use the card.
- 3 Pay off the monthly balance. Review the monthly statement, and have your teen pay the bill from his or her checking account.

Investing activities.

Ages 10 and up:

Try virtual investing. Research stocks online and then “buy” 10 shares of a few companies. Record the “purchase” price, monitor the performance, and calculate the “gain” or “loss” after a month.

Teens:

Open a custodial account (or a custodial IRA if your teen has earned income) and let him or her help select appropriate investments. Have quarterly check-ins to review investment performance.

Young adults:

If your young person has a full-time job, encourage him or her to contribute to a company-sponsored 401(k) at least to a level that earns the company match, or encourage him or her to open an IRA as soon as possible.

Celebrate learning experiences.

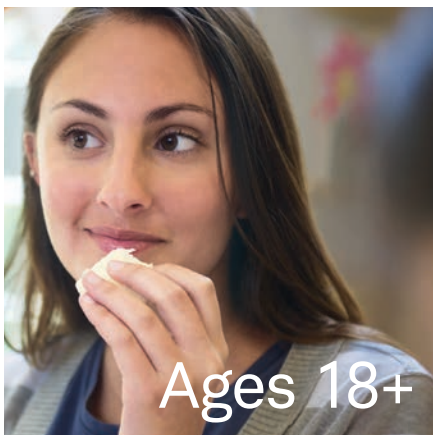
As your kids reach developmental milestones, you can help them take big steps toward financial independence. Sharing and celebrating these life experiences is an opportunity to teach important financial lessons—and gives your kids a chance to take pride in their accomplishments.



Starting an allowance.

An allowance is a first step toward gaining practical experience with money. Remember to:

- Be clear about associated chores and what you expect your kids to pay for with their own money.
- Avoid giving extra money just because they ask for it. Let your kids learn to manage.
- Switch from a weekly allowance to a larger monthly one as your kids get older, so they can learn to budget over a longer period of time.



Going to college.

Working out certain details can help make this important transition easier. You can:

- Be clear about what you expect your student to pay for and help set up a monthly budget.
- Open savings and checking accounts. If you want your student to have a credit card, you will likely have to cosign for him or her to qualify for one. Help shop for the card with the best terms, and be sure to explain the necessity of paying the bill in full and on time every month.
- Help evaluate rates and terms if your student is considering applying for loans.



First big purchase.

Whether your child wants a bike or a laptop, this is a great opportunity to learn about making choices.

You can help:

- Create a time frame and savings plan for making the purchase.
- Track daily spending to identify opportunities to save.
- Encourage comparison shopping.



Buying a car.

For teens, a car is often one of the most important savings goals. Help your teen:

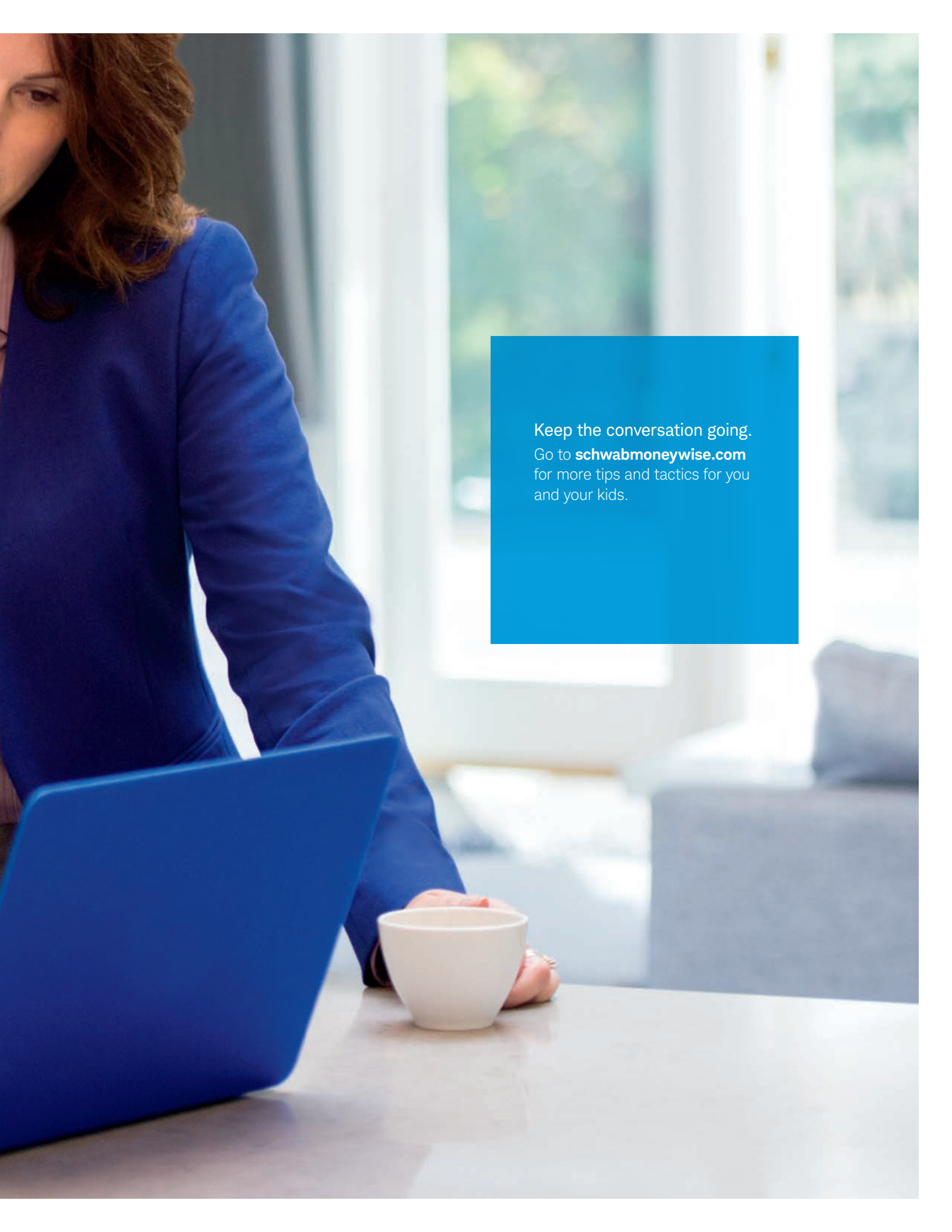
- Calculate how much he or she can afford.
- Remember to factor recurring costs such as insurance, gas, and maintenance into a monthly budget.

Leaving the nest.

Learning to be financially independent is one of the most important rites of passage. Before young adults leave home, you can encourage them to:

- Open key financial accounts—checking, savings, credit card, and an IRA or other investment account, if these are not already open.
- Make a budget including essentials like rent, utilities, clothing, food, transportation, and insurance, plus discretionary items like entertainment.
- Select health, auto, and renter's insurance.
- Pay debts such as student loans and credit cards on time. Always pay off the monthly balance on credit cards.
- Start saving enough to cover three months' living expenses as an emergency fund.
- Continue or begin to save for other goals.



A woman with brown hair, wearing a blue blazer, is seated at a light-colored table. She is looking down at a blue laptop. A white mug is on the table in front of her. The background is a bright, out-of-focus interior with large windows and a grey sofa.

Keep the conversation going.
Go to [schwabmoneywise.com](https://www.schwabmoneywise.com)
for more tips and tactics for you
and your kids.



The information provided herein is for general informational purposes only. The types of savings and investment strategies mentioned may not be suitable for everyone.

Brokerage Products: Not FDIC-Insured • No Bank Guarantee • May Lose Value

Sources for data appearing on the inside front cover and page 1: Charles Schwab 2011 Teens & Money Survey; The Project on Student Debt, 2013; 2012 National Financial Capability Study.

Investing involves risk, including possible loss of principal.

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