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Raising Financially Aware Kids

Understanding the Value of a Dollar From Toddler to Teen

Rebecca Tapia, AVP, Financial Advisor

About Your Host



- Working with Heffernan for 20 years
- Provides individual financial education and advisement services for HRS retirement plan participants
- Wealth Advisor to pre-retirees and retirees
- Member of the HRS Research Group and serves on the Retirement Plan Committee
- Series 7 & 66 registered
- Life, Health & LTC Insurance Licensed
- Certified Behavioral Finance Analyst (CBFA)
- Certification of Completion for the Certified Financial Planning Program from UC Berkeley
- Currently pursuing CFP designation

More U.S. **parents worry about having enough money** to pay for their children's college education than other Americans who worry about any common financial concerns.

More than 68% of U.S. high school students are concerned about their ability to **pay back student loans**.

71% of students considered costs as an influence in **deciding to attend college at all**.

83% of students weighed **costs as a factor** in which **college they would choose**.

64% of teens depend on parents or caregivers
for information on how to manage money.

More than 1/3 don't believe
they will be financially independent by **age 30.**

By **four to five years of age**,
children **understand that they need**
to pay for merchandise, but may not
understand that coins have different values.

Topics

- ▶ Values and money
- ▶ Learning to earn
- ▶ Saving and investing
- ▶ Budgeting and borrowing
- ▶ Giving back

A pair of hands is gently holding a small, pink piggy bank. The piggy bank has a coin slot on its back and two small dots for eyes. The background is a soft, out-of-focus light blue and white. The title "Values and Money" is written in a bold, blue font across the center of the image.

Values and Money

Values and Money

 **HEFFERNAN**
RETIREMENT SERVICES

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NEED

Values and Money

Top Clothing Brands

Nike	23%
American Eagle	10%
adidas	6%
Hollister	4%
PacSun	4%

Top Handbag Brands

Michael Kors	27%
Louis Vuitton	14%
Coach	11%
Kate Spade	11%
Gucci	9%

Top Footwear Brands

Nike	42%
Vans	20%
adidas	13%
Converse	4%
Foot Locker	3%

Top Shopping Websites

Amazon	52%
Nike	4%
American Eagle	3%
Urban Outfitters	2%
eBay/PacSun	2%

Values and Money

Five Things Kids Need to Know About Money

1 What is money?

According to Merriam-Webster, money is “something generally accepted as a medium of exchange, a measure of value, or a means of payment.”

Values and Money

Five Things Kids Need to Know About Money

2 What do things cost?

Values and Money

Five Things Kids Need to Know About Money

3

What is something worth?

Values and Money

Item	Worth or Value
Winter Coat	Keeps you warm
Dog	Gives love and companionship
Sports Equipment	Provides fun and exercise
Toothbrush	Cleans your teeth
Computer	Allows you to work, shop and watch TV or movies
Vacation	Offers relaxation and fun for your family

4 What is opportunity cost?

Opportunity cost pertains to all the alternative options we give up every time we make a decision.

Values and Money

Five Things Kids Need to Know About Money

5

**What are the tools
for success?**

A pair of hands is gently holding a small, pink piggy bank. The piggy bank has a coin slot on its back and two small dots for eyes. The background is a soft, out-of-focus light blue and white. The text "Learning to Earn" is overlaid in the center in a bold, blue font.

Learning to Earn

Learning to Earn

All About Allowance

\$30/week



The average
amount a week in
allowance

\$6.11/hour



The average
amount earned per
hour of chores,
a 38% increase
from 2016

2/3rds



Parents give their
child an allowance

The average annual wage is just over
\$4,900 for **15-17 year-olds**.
Ages 12-14 are making about **\$2,700**.

Learning to Earn

- ▶ Talk to them about your job and how people earn money.
- ▶ Encourage your kids to get a part-time job.
- ▶ Encourage kids to gain experience by means of an internship.
- ▶ Praise your kids for their hard work rather than the money they earned.
- ▶ Have them keep track of their work experience for a résumé.

A pair of hands is gently holding a small, pink piggy bank. The piggy bank has a coin slot on its back and two small dots for eyes. The background is a soft, out-of-focus light blue and white. The text "Saving and Investing" is overlaid in the center in a bold, blue font.

Saving and Investing

Saving and Investing

Three Rules of Saving

1. Save every time.
2. Save 10 to 20%.
3. Just do it.

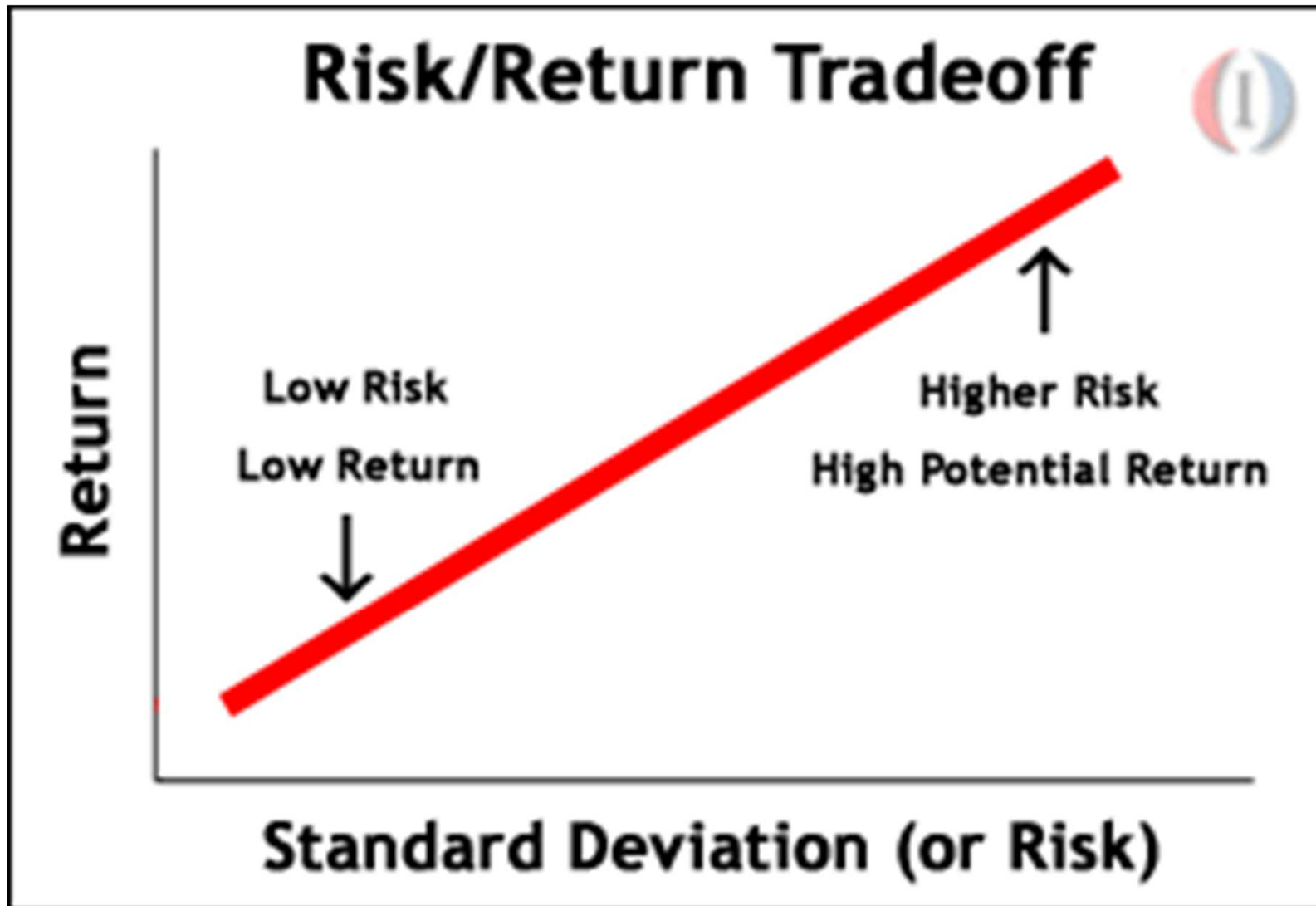
- ▶ Make saving fun
 - Make a ritual of the piggy bank.
 - Set buckets of “Save,” “Spend” and “Give.”
- ▶ Set a goal.
 - Ask for a “wish list.”
 - Set short-term and long-term goals.
- ▶ Watch it grow.
 - Visualize progress.
- ▶ Sweeten the deal.
 - Consider a match.

- ▶ Take your kids on a tour of the bank and involve them in the selection.
 - Have them ask questions.
- ▶ Show your kids how to use a deposit slip and make a deposit.
 - Explain that their money might not be available right away.
 - Teach your kids the parts of a check and how to write one.
 - Explain how a check works and what it means to “bounce” one.
 - Show your kids how to use a check register and balance the checkbook.
- ▶ Teach your kids how debit cards work.
- ▶ Watch them do their first ATM transactions.

- ▶ Play the stock market game.
 - Have kids pick a stock to follow for a time.
 - See the ups and downs of the market.
- ▶ Explain mutual funds.
 - Understand the idea of pooling investments from thousands of investors with professional overseeing the portfolio of stocks and bonds.
- ▶ Set a goal.
 - Help kids set a goal before investing any money.

Saving and Investing

Help Kids Understand Risk and Return



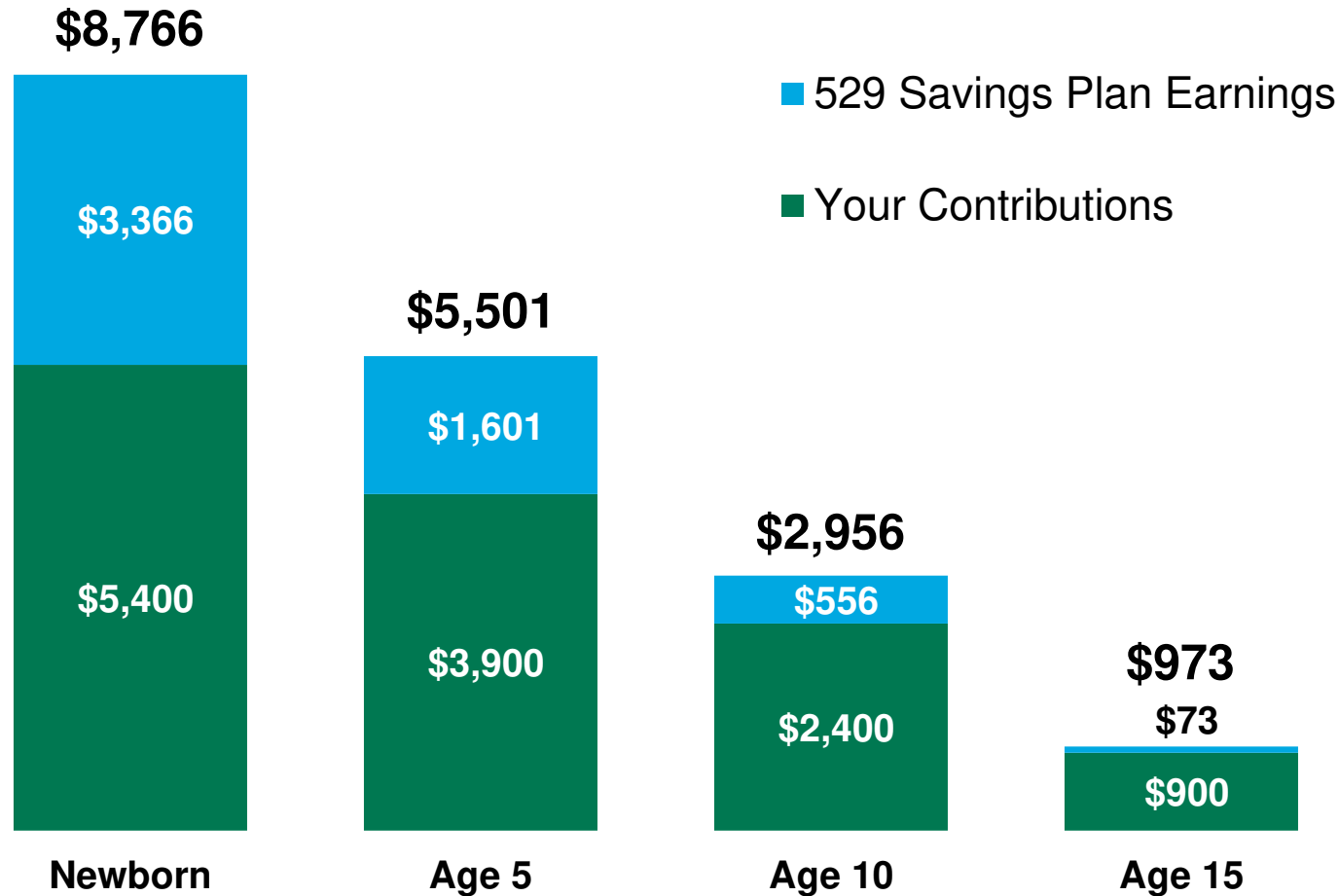
Investopedia

Standard deviation is a statistical measurement; when applied to the annual rate of return of an investment, it sheds light on the historical volatility of that investment. The greater the standard deviation of a security, the greater the variance between each price and the mean, indicating a larger price range. For example, a volatile stock has a high standard deviation, while the deviation of a stable blue-chip stock is usually rather low.

Saving and Investing

Plan for College

Investing \$25 per Month



This hypothetical example is for illustrative purposes only and assumes no existing savings balance, that the selected monthly contribution occurs every month until age 18 with no withdrawals, and that the hypothetical annual rate of return is 5%. It does not represent an actual investment in any particular 529 plan and does not reflect the effect of fees and expenses.

A pair of hands is gently holding a small, pink piggy bank. The piggy bank has a coin slot on its back and two small dots for eyes. The background is a soft, out-of-focus light blue and white. The title "Budgeting and Borrowing" is overlaid in a bold, blue font.

Budgeting and Borrowing

Budgeting and Borrowing

- ▶ Give your kids budgeting responsibility.
 - Use school lunch money.
 - Apply a clothing allowance.
- ▶ Have older kids cover a portion of transportation expenses.

Budgeting and Borrowing

Write It Down

Monthly Income – \$585

Savings:.....\$116 a month

Obligations (gas and car insurance):.....\$200 a month

Total: \$316 a month

Income – Obligations

\$585 - \$316 = \$269 to spend

Discretionary Expenses

Clothes:.....\$75 a month

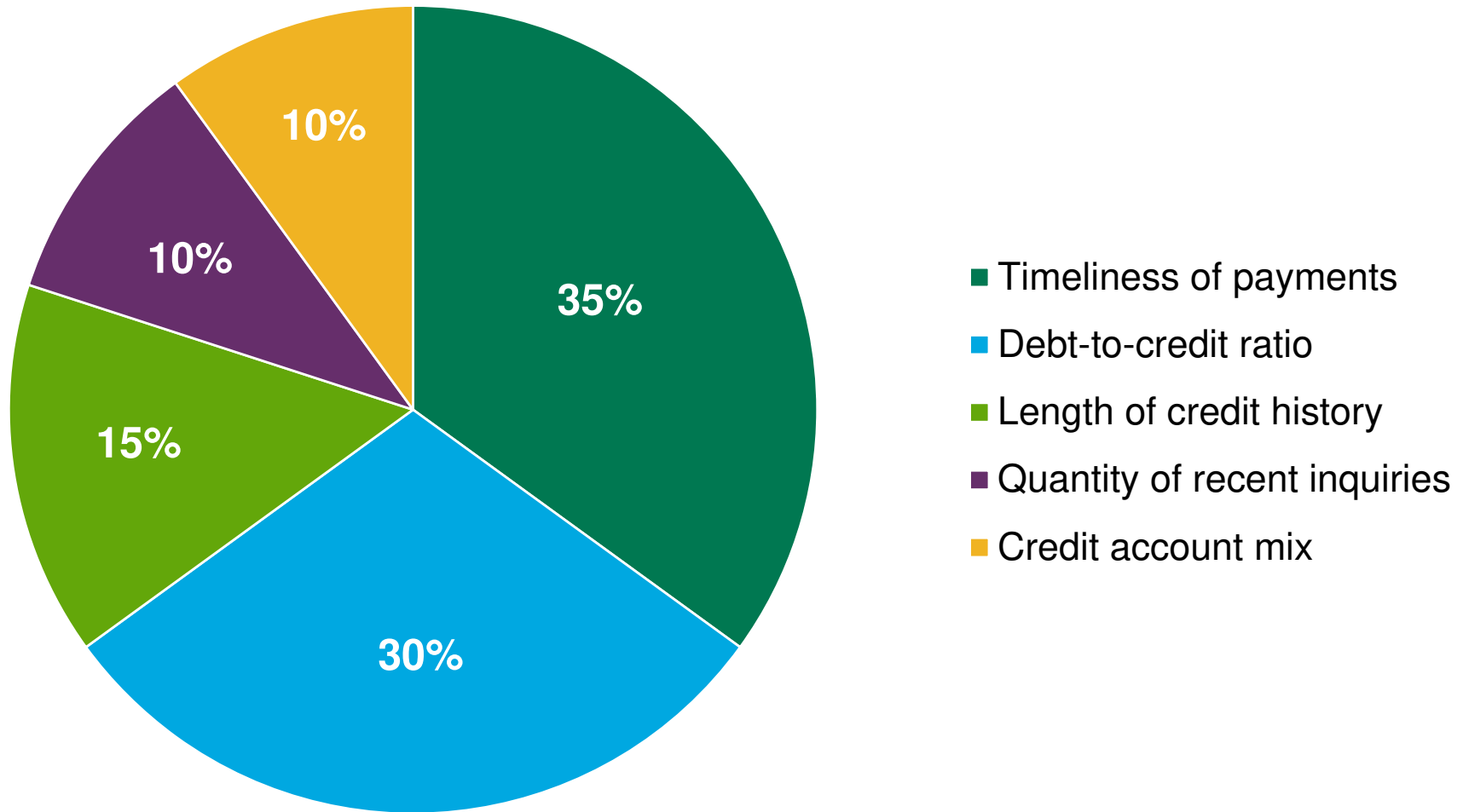
Coffee:.....\$5 four times a week.....\$80 a month

Eating Out:.....\$20 a week.....\$80 a month

\$269 - \$235 = \$34 left over

Budgeting and Borrowing

Building Credit



For illustrative purposes only

Budgeting and Borrowing

10 Things to Know About Credit

1. Start building credit before you need it.
2. Start small.
3. Communicate with your lenders.
4. Keep credit cards to 30% utilization or less, and pay off the balance.
5. Pay on time, all the time.
6. Have a good credit account mix.
7. Close credit card accounts with caution.
8. Take your credit seriously.
9. Don't open multiple accounts at once.
10. Check your credit regularly.

Budgeting and Borrowing

Student Loans

- ▶ Amount borrowed is based on cost of attendance and “expected family contribution.” (EFC)
- ▶ EFC calculation involves household assets and income for both parents and the student.
- ▶ Payments are deferred for six months after the student is no longer enrolled.
- ▶ Interest accumulates when the amount is borrowed.
- ▶ Visit www.studentloans.gov.
- ▶ Borrow as little as possible.
- ▶ Take advantage of available scholarships.
 - Need, interest, academic or activity-based scholarships are available
 - Visit www.collegescholarships.org

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Giving Back

Giving Back

Starting Lifelong Service

- ▶ Establish that “give” bucket.
- ▶ Volunteer as a family.
- ▶ Ask for donations rather than gifts for birthday party.
 - Canned goods for a food bank
 - Socks, hats and gloves for a homeless shelter
 - Diapers for a diaper bank
 - Items for care packages for service people
- ▶ Continue volunteering in high school and college.
- ▶ Appreciate gifts.

Raising Financially Aware Kids

Net Worth Does not Define Personal Worth

- ▶ Be an active financial educator for your kids.
- ▶ Talk regularly with your kids about money, and be a positive role model.
- ▶ Encourage your kids to dive deeper in learning more about finance.
- ▶ If a financial literacy course is offered in school, make sure they take it.

Additional Learning

- ▶ Educational programs geared toward children and their interests
- ▶ Clip and share articles from financial magazines
- ▶ Help your children/grandchildren connect with people they admire
- ▶ Take your children/grandchildren to work
- ▶ Encourage them to talk to others – including relatives

Raising Financially Aware Kids



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RESOURCES AVAILABLE:

- ▶ Raising Financially Aware Kids Book
- ▶ Financial Activity Pages for Kids (coloring, word search, etc.)
- ▶ Sonja Meets Her Future Self Book
- ▶ Kids and Money Worksheet
- ▶ PDF Copy of the Presentation

About American Century Investments

Managing Money, Making An Impact

American Century Investments® is a leading asset manager focused on delivering investment results and building long-term client relationships while supporting research that can improve health and save lives.

Performance-Focused for 60 Years

- Founded in 1958 by Jim Stowers Jr., our investment professionals aim to outperform relevant benchmarks and peer groups using a highly defined, disciplined and repeatable process that emphasizes independent thinking.
- We take an active, team-based and risk-adjusted approach to managing equity, fixed income and alternative investments.
- With a global presence, we help clients around the world achieve their goals.

Pure Play Business Model

- Investment management is our sole focus, which empowers us to align our decisions with client expectations.
- No ancillary businesses compete with our clients or dilute our resources to serve them.

Privately Controlled and Independent

- Our ownership structure allows us to maintain a long-term view in the best interest of our clients—we're not beholden to quarterly earnings pressure.
- We take an independent view, guided by our commitment to do the right thing for our clients. This focus on integrity has earned the trust of our clients for 60 years.

Prosper With Purpose®

- Every day, people focus on making the world a better place for themselves, their families and their organizations. You can give back something more valuable than money.
- By investing with us, you also invest in the future of others and potentially impact the lives of millions. That's possible because of the distinct relationship with our primary owner, the Stowers Institute for Medical Research.
- Our dividend payments support the Institute's work of uncovering the causes, treatments and prevention of life-threatening diseases, like cancer. It's how we and our clients together redefine prosperity.

Together we can become a powerful force for good.

Investment return and principal value of security investments will fluctuate. The value at the time of redemption may be more or less than the original cost. Past performance is no guarantee of future results.

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