



Perfectcents

A family's guide to teaching children to be money smart

Number 2

Are teens breaking the bank?

Today's teenagers are breaking the bank. Just three items, designer athletic shoes at \$160, a concert ticket at \$45, and the latest computer game at \$325 will set you back \$530 in a heartbeat.

Exactly when did spending \$160 on a pair of tennis shoes begin to seem normal?

A. Give them another view.

Parents need to help kids take a long look at making money "work" in ways other than purchasing. Instead of spending \$500 on passing fancies – shoes that will wear out in a matter of months, a night's entertainment, or a video game that will be overshadowed by the next hot game – take the opportunity to teach your kids the Rule of 72.

What's so cool about the Rule? It shows your kids how they can turn \$500 into \$1,000. The Rule calculates the length of time needed to double your money. You simply divide your rate of return into 72.

For example, if you're earning 5% interest, divide 72 by 5. The answer tells you that your money would double in 14.4 years. At an 8% rate of return, \$500 would become \$1,000 in roughly 9 years. That's the power of compounding.*

B. Be a financial guide.

Ask your kids what they could possibly "do without" to fund a savings plan or a bigger, more important purchase in the future. It's a concept you will have to promote. Kids are assaulted regularly by advertisers, and the pressure to have what everybody else has can be intense. Because your message is a more difficult one, it must be repeated regularly. (Along with the idea that sometimes you have to delay your gratification and save up for purchases.)

*This exercise is for illustration purposes only. It does not take into consideration fees, taxes, commissions, etc. and does not represent any specific product or investment.



C. Make saving fun.

Learn about finances together. You'll be spending quality time with your kids and teaching them a lesson needed for the rest of their lives. In today's climate, it's a lesson they probably won't learn without you.

Want dozens of casual and fun ways for the family to talk about kids and money? Go to www.themint.org.

Smart shoppers save while they spend

Advertisers work hard to make their products way-cool, ultra-glamorous, and super-exciting.

Many young consumers find themselves falling under the spell of the glitzy images, spending more money than they should.

Not only do kids live and breathe the advertisers' message, they must wrestle with their need to have it now. Basically impulsive by nature, kids find thinking through purchases difficult. Parents need

to help. What's the message? You have only a limited amount of money. Learn ways to stretch it. (See box on back.) Help your kids do that.

Talk about spending.

Have regular talks about wanting vs. needing and how much is enough.

Limit spending.

If your son wants to blow \$120 of his \$250 back-to-school budget on designer pants, he may have to forego a few shirts, a pair of

shoes, or a jacket. Parents who cave-in, filling wardrobe gaps created by the expensive pants, teach the wrong lesson.

Teach purchasing wisdom.

Kids have to understand that items are not always as great as ads make them seem. Talk to your kids about "advertising as a business." Armed with the right info, they might occasionally resist paying more for a shoddy piece of logo wear.

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