

Perfectcents

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

Number 6

Swallowing the bait & getting hooked

Buy it now.... Everybody's got one....
If you have one, you're cool....
It's the latest.... It's better...
bigger... faster... smoother.... It's new
and improved!

Sound familiar? Watch TV, and you hear these messages over and over again. In fact, you've been pounded with these messages since you were old enough to play with your toys in front of a television. By now, you're savvy enough to know that a commercial's music, images, and special effects are geared to make you want to buy. The idea is to convince you that you need this stuff. If you own it, your life will be as exciting as what's on the TV screen.

You're a science project

Face it. You are researched and pursued by advertisers. They study you like you would study pond life in science. In fact, you are their science. They know all about you and about the words and images that will move you to buy. Often companies hire psychologists who work with small groups of teens, learning how they react to products or sales pitches. By the time you see the finished commercial, the hook has been so well baited, that most of the time, you can't wait to bite. And that's even when you know all about what's going on. Don't believe it?

The payoff

Advertisers currently spend more than \$230 billion a year to bait their hooks – that's \$2,190 for each household in the country.¹ Is it working? You bet.

- This country now spends nearly \$6 TRILLION A YEAR, more than \$21,000 per person, mostly on "stuff."²
- We have twice as many shopping malls as high schools.²
- 93% of teenage girls say shopping is their favorite activity.³
- In 2003, kids 12-19 spent a record \$175 billion of their own money.⁴ In 2002, teen spending was \$170 billion,⁵ up from \$155 billion in 2000. 2000's spending had nearly tripled spending four years earlier.⁶ There's a pattern here.

More hooks

Buying stuff is one thing. Buying stuff with the right logo is another story altogether. Do you have a pair of jeans, or shoes, or a top that you don't wear anymore because it's not the right logo? You've been hooked.

Or, if you've tossed out some perfectly good item from last year to buy "the latest"

style, you're being reeled in. The money that advertisers are spending at your house is working.

What's more, it's working at other houses in your neighborhood, so you may feel pressure at school to wear what "everybody else" wears. And while most teens don't like being told what to do or what to wear, advertisers are doing it all the time. Want to get some ideas on different ways to handle advertising pressures? Go to **themint.org** and explore the **Spending** section.

¹ McCann-Erickson, as referenced by the Center for a New American Dream, 2002.

² Affluenza, de Graff, Wann, Naylor, 2001, p.13

³ Affluenza, de Graff, Wann, Naylor, 2001, p.57

⁴ Teenage Research, 2004.

⁵ Teenage Research, 2003.

⁶ Teenage Research, 2001.

Fast facts for parents

Here's some food for thought that is giving many adults financial indigestion. Only 20% of 12th graders report having had a personal finance course in school.¹ It's a number that clearly passes the job of teaching money management to parents.

How well are you doing? A recent major study found that 43% of parents surveyed don't feel capable of teaching their kids about money, and 44% said that they don't set a good example in handling money.² Parental actions speak volumes. What are they saying these days?

You be the judge. Consumer debt (not including mortgage debt) has reached historic highs, topping \$2 TRILLION in the new century. The credit card industry pegs the average consumer debt at \$9,000-\$13,000 per household.³

(continued on back)



Northwestern Mutual
FINANCIAL NETWORK®

Do you have what it takes to start your own business? Do you know how banks work? Will you ever be a millionaire? What exactly is the stock market? What should you know about credit cards? What are starting salaries for different occupations?

These and tons of other answers await you at themint.org. The site is divided into five main sections based on things you can do with money: *Earn it. Save it. Spend it. Track it. And Invest it.*

Once you get a few answers under your belt, themint.org gives you lots of ways to try out your money skills. You can take the *Credit Card Challenge*. You can check out what it would cost you to live in your own apartment. Discover how interest can double your money. Practice working with a checkbook. See what happens to a paycheck once things called *deductions* take a bite out of it.



And there are plenty of things to get you thinking – real-life examples that can get you, your family, and your friends talking about the ins and outs of handling money.

Visit themint.org. It has answers for kids – parents and teachers too. It's a way to get smarter and have fun.

Fast facts *continued...*

Parental behavior is rubbing off on their offspring. In 2003, teens spent \$103 per week.⁴ So teens are getting the spending lesson loud and clear. Yet they are clueless about how money works.

- In a recent national standardized test, 12th graders were tested about financial matters. Only 6.1% scored a C or better.¹
- Nearly 48% of 12th graders do not understand compound interest.¹
- 64% of 18-24-year-olds don't know the interest rates on their credit cards.¹
- Young adults 18-24 score higher than any other age group in five of nine behaviors that signal money abuse.⁵
- The U.S. has recently seen a more than 50% increase in bankruptcies among people under age 25.⁶ That's about 7% of the nation's total.⁷

Perhaps it's time that we, as parents, rethink our own spending habits – and that we try to prevent our children from following in our footsteps. Where to start? One good place is at *Tips For Parents* at themint.org, a website that helps families teach tweens and teens the basics of personal money management in a fun way. (See story on left)

¹ Personal Financial Literacy Survey, Jump\$tart Coalition, 2004.
² Northwestern Mutual *Kids & Money Survey*, 2003.
³ William Branigin, *U.S. Consumer Debt Grows At Alarming Rate*, washingtonpost.com, January 12, 2004.
⁴ Teenage Research Unlimited, *Teens Spent \$175 Billion in 2003*, January 9, 2004.
⁵ *College-Age Adults At Risk For Money Abuse*, Myvesta, May 23, 2002
⁶ Young Americans Center for Financial Education, *Financial Literacy Statistics*, 2004.
⁷ Elizabeth Warren, 2001 Consumer Bankruptcy Project, Harvard Law School Public Law Research Paper, 2002.

Word Rummage

Dig around in the letters below to find these words in today's articles: STUFF, MESSAGE, CREDIT, ADVERTISE, BUY, DEBT, AND SPEND. (Hints: One word is diagonal. Two words are backwards.)

B	Y	C	S	T	E	A	T	H	Z
P	N	R	Y	C	B	U	Y	T	F
E	S	I	T	R	E	V	D	A	F
G	T	P	B	S	F	I	B	Y	U
A	U	S	E	A	F	Z	T	B	T
S	F	S	R	N	C	M	O	N	T
S	F	N	C	N	D	X	S	E	V
E	B	D	O	Y	E	P	Y	A	A
M	T	C	M	D	B	S	P	T	G
C	R	E	D	I	T	R	B	U	E

Solution

B	Y	C	S	T	E	A	T	H	Z
P	N	R	Y	C	B	U	Y	T	F
E	S	I	T	R	E	V	D	A	F
G	T	P	B	S	F	I	B	Y	U
A	U	S	E	A	F	Z	T	B	T
S	F	S	R	N	C	M	O	N	T
S	F	N	C	N	D	X	S	E	V
E	B	D	O	Y	E	P	Y	A	A
M	T	C	M	D	B	S	P	T	G
C	R	E	D	I	T	R	B	U	E

The Northwestern Mutual Life Insurance Company • Milwaukee, WI
www.nmfn.com