



## Increase Your Money Smart IQ

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**T**esting, 1-2-3! Teachers are currently testing students’ achievement to assess progress as the school year winds down. These tests will tell teachers how well their classes have mastered the grade-level curriculum and related skills. Many educators also give aptitude tests, which predict future ability based on overall intelligence. These tests often yield an intelligence quotient or IQ, which can be a good indicator of performance in years to come.

As a former teacher and current writer of personal finance lessons, I believe that a Money Smart IQ test would be a valuable addition to the testing schedule. (Try playing our “Show Your Money Smarts: Take It to the Bank” game on page 22 with your child to test their ability.) The process of money management—earning income, smart saving and wise spending—should be taught and assessed regularly. Because teachers often can’t squeeze another subject into their day, I suggest that parents take the charge to acquaint their children with financial skills. April was National Financial Literacy for Youth Month, so it’s an appropriate time to discuss how kids can become money smart.

For young learners, keep the financial ideas simple and to the point by sharing the following:

- There is a difference between what you need and what you want. A need is something you must have to live, such as water, food

and clothing. A want is something you like and desire to have, such as toys, a bike, and candy. You can survive without wants, but not without needs.

- Parents usually take care of their children’s needs, but can’t buy everything they want. There is not enough money to buy what everyone desires, so we have to make choices. Those choices should be smart decisions that we think through before making purchases.
- If you desire wants, you should save for them. Set aside some of your money each time you receive it for allowance, chores or birthdays. Put it in an envelope, piggybank or real bank, so you won’t spend it before you save enough.
- If you’d like more money to buy more wants, earn it! Do extra chores, sell old toys at a garage sale, or make a craft and sell it. You’ll reach your savings goal in no time.

For older learners, use the following “Top Tips to Become Money Smart” as a conversation starter. Discuss each tip’s meaning and ask your child the related question to personalize the concept.

- Do set savings goals and work toward them. What would you like to save for?
- Don’t confuse things that you want with things that you need. Can you think of times you wanted to buy something unnecessary?
- Do think over your shopping choices before you spend. Why is it important to stop and think before purchasing?
- Don’t bring all of your money with you when you shop. What does the saying “money burns a hole in your pocket” mean?
- Do wait to buy something until it’s on sale.

Have you ever seen an item you bought go on sale later?

- Don't buy something just because your friends bought it.

Do you remember a time you bought something to be like your friends?

- Do find opportunities to earn extra cash.

What could you do to earn money around the house?

Becoming money smart isn't just for kids! Consumers of all ages can participate in Money Smart Week in their state during April. Money Smart Week began in 2002 as a public awareness campaign designed to help consumers manage their personal finances. Financial institutions, schools, libraries, nonprofits, government agencies and the media collaborate annu-

ally to emphasize financial literacy through free educational seminars and programs throughout the week. These activities cover all facets of personal finance, from establishing a budget to home buying to estate planning. This year, Money Smart partners had events from April 20-27. So check out your local literacy campaign with the goal of increasing your own financial know-how as well as your child's.

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## Financial Education Resources

The Kansas City Fed is committed to promoting economic and financial literacy and greater knowledge of the Federal Reserve's role by providing resources for teachers, students and the public. Visit our website at [KansasCityFed.org/education](http://KansasCityFed.org/education) for more information.

### FEDERAL RESERVE RESOURCES

#### **Financial Fables from the Fed**

These online e-books with colorful bird characters teach financial management skills through money morals. For ages 4-10. (<http://financialfables.kcfed.org>)

#### **"The Piggybank Primer"**

This guide explains wants and needs, choice and opportunity cost, and has sections to outline a savings plan and track spending. For ages 6-10.

#### **"Great Minds Think: A Kid's Guide to Money"**

This booklet helps kids make financial decisions about earning, spending and saving money wisely. For ages 8-12.

### FICTION BOOKS

#### **"Glo Goes Shopping"**

by Cheryl Willis Hudson

Glo is searching for just the right birthday gift for her friend. She looks at many choices before finally finding the perfect present. For ages 4-8.

#### **"Pickle Patch Bathtub"**

by Frances Kennedy

Donna and her family work to buy a new bathtub by raising cucumbers to be made into pickles. This story shares the difficulties of saving during the Great Depression. For ages 8-12.

(Related lessons for both books can be found at [www.stlouisfed.org](http://www.stlouisfed.org))

### NONFICTION BOOKS

#### **"The Ultimate Parenting Map to Money Smart Kids"**

by Linda Leitz

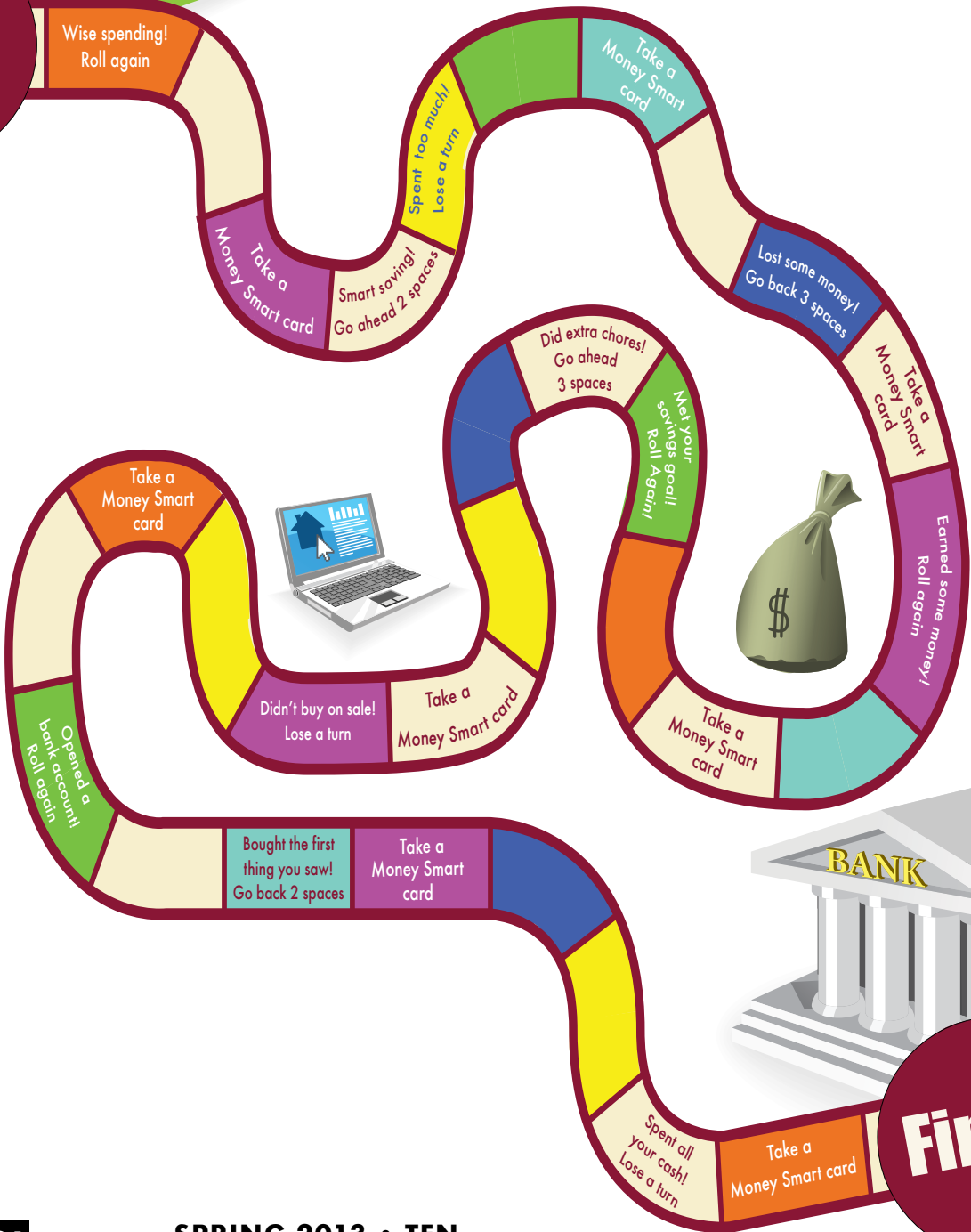
This book explains ways for parents to talk to kids about money, work and the cost of living. Additional chapters give advice on allowances, budgeting and investing. For adults.

# “Show Your Money Smarts: Take it to the Bank”



Show Your Money Smarts

Start



Finish

**Directions:** Cut out the Show Your Money Smarts question cards below and place them face down next to the game board page. Using a coin as a token, play the game by taking turns rolling a die and moving the number of squares shown. Follow the directions on the square you land on. If you need to take a card, another player should pick it up, read the Money Smart question to you, and tell you if your answer is correct. If you are correct, you may take another turn!



## The first player to get to the bank wins

True or False:  
You should take care of your wants before your needs.

**(False)**

Explain what "money burns a hole in your pocket" means.

**(Accept any reasonable answer)**

The price of a toy is \$5.  
It is marked 50% off.  
What is the sale price of the toy?  
a) \$2.50 b) \$2.00 c) \$3.00

**(\$2.50)**

A wise spender always:  
a) pays regular price  
b) buys the first thing they see  
c) waits for a sale

**(c)**

Your friend just bought a pair of expensive tennis shoes. You have new tennis shoes that are less expensive. You should:  
a) buy the same shoes  
b) start saving for the same shoes  
c) wear the shoes you have before thinking about more expensive shoes

**(c)**

Explain what "a fool and his money are soon parted" means.

**(Accept any reasonable answer)**

True or False:  
Earning extra cash will help you reach your savings goal sooner.

**(True)**

Saving means:  
a) to use money to buy goods and services  
b) to keep money to spend later  
c) to take money out of a bank account

**(b)**

A soccer ball is on sale at two stores. Store A is selling it for \$20 with an extra 25% off. Store B is selling it for \$20 with an extra \$4 off. Which is the better buy?

**(Store A)**

Explain what "Money doesn't grow on trees" means.

**(Accept any reasonable answer)**

Give an example of something you would like to save for. Tell how much you would save each month and how long you would need to reach your goal.

**(Accept any reasonable answer)**

True or False:  
You should take all of your cash with you when you go shopping.

**(False)**

Explain what "Save for a rainy day" means.

**(Accept any reasonable answer)**

To receive money for doing work is to:  
a) save b) earn c) spend

**(b)**

An example of a need is:  
a) bike b) water c) candy

**(water)**

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# 2012

## Financial Report

The Federal Reserve Bank of Kansas City's 2012 audited financial report is at [KansasCityFed.org](http://KansasCityFed.org). Past financial reports, and officers, directors and advisory councils listings, also are online.