

TIME
FOR KIDS

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FINANCIAL LITERACY FOR KIDS



MIND OVER MONEY

Our brains are wired to make us want to buy things.
Find out how emotion can affect your spending, and
learn how to take back control.

THE POWER OF MONEY

SHOP SMART

Stores appeal to your senses to get you to spend more. These tips could help you avoid their traps.



SMART SHOPPER
A boy gives careful consideration to which shoes, if any, he should buy.

Ups and Downs

How did you feel the last time you earned money or bought something you really wanted? What emotions washed over you the last time you lost money or spent it on something you later wished you hadn't? Research confirms that for most people, losing money is painful, but gaining it is fun.

Why? Here's where it gets tricky. For our ancestors, not hunting meant not eating. The threat of danger from wild animals or nature was always present. In other words, their needs were very immediate. Their brains were wired to deal with that fact. Even though thousands of years have passed and our needs have changed, our brains are still programmed that way.

POWER WORDS

covet *verb*: to greatly want or wish for
gratification *noun*: a source of satisfaction; pleasure

FAMILY CHALLENGE

Learn from your mistakes.

Think about the last time you made a mistake with money. Did you buy something you wished you hadn't? Did you wait too long before you started saving or investing your money? Share your story and explain why you think you made that error. Then talk about what you'll do differently in the future.

This creates a problem when it comes to spending versus saving money. Though we know saving for the future is a good idea, our brains are built for what researchers call immediate **gratification**. When we want something, whether it is a cupcake or a pair of jeans, we don't want to wait. That makes saving for tomorrow tough and saving for long-term goals, like college or buying a house, even tougher.

Outsmart Yourself

Can you control your brain around money? It's not easy, but you should try. Make rules and practice following them. For instance, decide to save 10% of your money. Make it a habit, like brushing your teeth. Or take what *Your \$* columnist Jean Chatzky calls the "purchasing pause." Next time you want to buy something, wait 24 hours. If you're not still thinking about it a day later, you're better off not having bought it.

Being able to wait is a great skill. Walter Mischel, a researcher at Columbia University, discovered that children who are better at delaying gratification will do better in school and make more money as adults. But don't sweat it. These skills get easier as you get older.

—By Kelly Hultgren



Don't touch.

Keep your hands off the merchandise! When you touch something that you're thinking about purchasing, you develop a sense of ownership over it. That makes you want to buy it.



Look away.

Mannequins are positioned so that you make eye contact with them as you stroll by in a store. Once your eyes lock, you're more likely to stop and shop.

Pop a mint.

Smell has a powerful effect on your brain. According to the Scent Marketing Institute, you'll shop longer in a store that has floral or citrus aromas. Chewing gum or eating a mint will help you fight scent-related triggers.



Tune out.

Stores play your favorite tunes to get you to spend more time—and more money—there. Try to tune them out.



When it comes to managing money, your emotions often work against you. Find out how to train your brain.

Who lives in an anchor under the sea? SpongeBob SquarePants fans know it's Eugene Krabs. And they know how crazy he is about money. He has conversations with



money and bathes in it. Money controls his every emotion, making him happy, sad, and mad.

Mr. Krabs is a cartoon character, but he has this in common with real people: Money can make us emotional and even a little crazy. The powerful relationship between your

brain and money influences how you think, act, and feel.

"It's pretty tricky," says Jason Zweig, author of the book *Your Money & Your Brain*. Part of money's power is that it makes people feel safe. "People know if they don't have enough money, their lives could become very difficult," Zweig says. Money lets you live the life you want and buy the things you **covet**. That's why earning, losing, and spending money make us feel so many emotions.

KIDS WEIGH IN

Should you be forced to save money?

Parents teach kids how to make their way in the world. Making rules and enforcing them are part of this process. But what's wise when it comes to managing money? Some parents think they must teach young kids the discipline of saving. Others think kids should make their own choices and experience the consequences of not saving, which can be a good lesson. TFK Kid Reporters each explain one side of the debate.



YES!

Liliana Scott, 9
Sparrows Point, Maryland

Forcing kids to save money helps them form a habit that will help them successfully manage their money in the future. Bad money management is not just a problem for the individual but also for society as a whole. When people cannot pay their bills or major loans, others face stricter borrowing rules, higher prices, and interest rates. If parents make kids save money early on, a positive habit will form, and they will grow to be more financially responsible adults. That's good for all of us.



NO!

Emily Valentino, 12
Newton, New Jersey

No one should tell you how to use your money, even if it's for your own good. Parents can offer advice, but no one should have the power to force you. You know your needs better than anyone else. People often need more money when they start their career and can't afford to save it early on. If you aren't given the choice or control, one day you'll face a big decision and you won't know what to do. Plus, it's important to learn from your mistakes.



We want to hear from you! Vote on this topic and more at timeforkids.com/pwcdebate.



COURTESY JEAN CHATZKY

ASK JEAN

Jean Chatzky is a money expert.

How can I start saving money?

—Elijah Adams, 10, Bronx, New York

One big lesson that we've learned from trying to help adults save money is that if you can make saving money an automatic habit, you are much more likely to succeed. Many adults have money deducted from their paycheck and put into a savings account before the paycheck is even sent to them. Because they don't get the money, they don't spend it. We've also learned the benefit of having a separate account for money that is to be saved, rather than spent. You can do this by deciding how much of your money you want to save. Ask your parents to automatically deduct that amount and put it into a separate place for you. Today, a jar might do the trick. Tomorrow, a savings account might be the answer.

Do you have a question? Write to Jean at tfkasks4you@timeforkids.com.



MIGUEL SOTOMAYOR—GETTY IMAGES

Hair Today, Gone Tomorrow

Billionaire Warren Buffett is the most famous investor in the world. He has run his company, Berkshire Hathaway, for 50 years. One secret of his success is his long-term approach. In a biography of Buffett called *The Snowball*, author Alice Schroeder explains that Buffett has always seen money spent today as money he won't be able to invest in the stock market, where it could grow for tomorrow. "Do I really want to spend \$300,000 for this haircut?" he once asked himself about a haircut that really cost \$5. His estimate wasn't far off. If he had invested that \$5 in his company back then, it would be worth about \$223,000 today.