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FINANCIAL LITERACY FOR KIDS

5

STEPS TO SKYROCKET YOUR \$AVING\$

**How to Work
Toward Your Goals**



\$AVE \$MARTER!

The key to reaching any goal—say, running a mile without stopping or acing a science test—is planning out how you’re going to get there. The same is true for saving money. Whether you’re trying to save \$50 for a new video game, \$150 to see your favorite singer, or even more, these five time-tested steps will help you succeed.

STEP 1: GET SPECIFIC

Decide exactly what you want, and research how much it will cost. Do you want \$20 headphones or wireless Beats headphones that could cost eight times as much? Before you start saving money, make sure the item passes the one-week test: If you still want those headphones after a week, you’re ready to take the next step.

STEP 2: SET A TIME FRAME

Is this a short-term goal that you’d like to achieve by the end of the month or a long-term goal that could take years to reach? In an ideal world, we’d all get what we wanted immediately. But that’s not always possible. Waiting for something,

which is called delayed gratification, is difficult, but it’s an important skill. The next step will help.

STEP 3: ESTABLISH BENCHMARKS

Break your goal into smaller steps, also called **benchmarks**. For instance, Lauren (see “Eyes on the Prize”) is trying to save \$700 for a school trip. If the trip were a year away, she could set benchmarks by dividing the total cost into an amount she could aim to save every week of the year. (The math: $700 \div 52 = \$13.46$.) Doesn’t that seem more manageable? “People don’t meet goals when they bite off more than they can chew,” says behavioral economist Sarah Newcomb, who studies why people don’t always behave logically when it comes to money.

STEP 4: PICTURE SUCCESS

Cut out a picture of the bike you’d like to buy or the amusement park you’d like to visit. Hang it where you’ll see it every day. The image of your goal should help keep you on track. Another way to reinforce your

commitment is to imagine overcoming a potential obstacle to your goal. Let’s say you know you’ll be tempted to spend money at a school bake sale. Come up with a strategy for overcoming the temptation, like bringing in an extra treat.

STEP 5: TRACK PROGRESS

Stay motivated by checking your savings progress regularly. Give yourself a pat on the back when you’re one-quarter, one-half, and three-quarters of the way toward your goal. If you miss the mark, evaluate what went wrong. Did something turn out to matter more to you in the short term? Or did your goal turn out to be too challenging?

“Look at it as a learning opportunity,” says Robin Taub, author of *A Parent’s Guide to Raising Money-Smart Kids*. “Everyone fails, and that’s when you grow. Use the lessons you learned to save like a pro for your next goal.”

—By Hayden Field



EYES ON THE PRIZE

We asked kids around the country what they’re saving for. Here’s what a few of them told us.



CAROLINE, 9, Charlotte, North Carolina
SAVINGS GOAL A trip to Paris, France, with my mom
ESTIMATED COST \$4,000
AMOUNT SAVED \$89
EARNINGS STRATEGY Doing chores, saving birthday and holiday gift money
WISE WORDS “It takes lots and lots of time to save.”

ISAAC, 10, Las Vegas, Nevada
SAVINGS GOAL Super Mario Odyssey game
ESTIMATED COST \$50
AMOUNT SAVED \$23
EARNINGS STRATEGY Doing chores, earning rewards for good grades
WISE WORDS “It’s hard to save money because I get paid in coins and video games are expensive.”

LAUREN, 10, Fort Mill, South Carolina
SAVINGS GOAL A school trip to study marine life
ESTIMATED COST \$700
AMOUNT SAVED \$311
EARNINGS STRATEGY Selling lemonade, dog-walking, working as a mother’s helper, saving birthday money
WISE WORDS “You’re going to have to work for it, but a little savings can build up to something big.”

TYLER, 9, Los Angeles, California
SAVINGS GOAL One Bitcoin
ESTIMATED COST \$15,000
AMOUNT SAVED \$185
EARNINGS STRATEGY Saving weekly allowance, washing the car, making dinner, cleaning the windows
WISE WORDS “Spending money on small things, like toys or Pokémon cards, will take away from the Bitcoin I’m saving for.”

GET THE BALL ROLLING All you need is a small sum of money to start working toward a larger savings goal.

Family Challenge

SHARE YOUR GOAL with a parent or trusted adult. Ask these questions: Does it seem realistic? Did you save for something when you were a kid? Do you have tips to share?

Power Words

benchmark *noun*: a small goal on the path to a larger goal

Bitcoin *noun*: a type of digital currency that is not tied to any bank or country and is not subject to regulation

THE POWER OF COMPOUND INTEREST

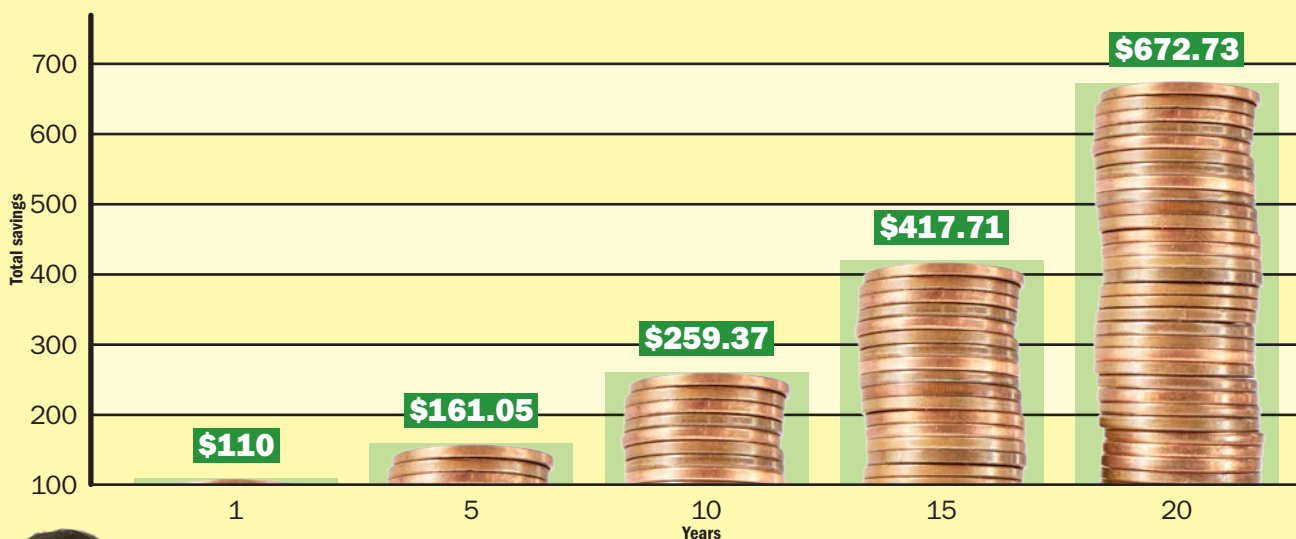
The money you put in a piggy bank grows only when you add money. But if you put that money in a savings account, it will earn interest. Banks pay you interest for keeping your money with them. The longer the money stays in the bank, the more the money grows. That's because of something called compounding, which means earning interest on your interest.

Look at the chart below. Let's say you started with \$100 and it earns interest at an annual rate of 10%. At the end of the first year, you'd have \$110—that's \$100 plus 10% of \$100 (which is

\$10). The next year, you'd earn interest on the total \$110. By the end of that year, you'd have \$121. And so on and so on. By the end of year 7, your money would almost have doubled. By the end of year 11, it would almost have tripled. And in 20 years, you'd have \$672. And you only had to contribute the initial \$100!

Right now, bank interest rates are not nearly as high as 10%. But it is possible to earn long-term returns at that rate by investing in stocks and mutual funds. The goal is for your money to work just as hard for you as you work for your money.

Annual Earnings on a \$100 Investment at 10% Interest



LDF/GETTY IMAGES (5)



ASK JEAN:

I understand getting a paycheck from an employer, like my mom does. But how does the main boss or business owner get paid?

**—Dahlia Zinn, 8
Olympia, Washington**

The main boss (as you put it, Dahlia) or the business owner pays himself or herself. This sounds great, and it's true that business owners have a lot of power to decide when to give themselves a raise. But they have to balance the amount they pay themselves with the cost of running the business. They have to pay their employees and buy computers and necessary technology. There are other expenses, too, like renting office space, insurance, and taxes. Some business owners help their employees save for retirement and pay for health insurance. Owning your own business can be complicated, but it can also be a lot of fun!

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