

# How Families Spend Money

Notes:

## Learner Outcomes

- Outcome #1: Participants will be able to identify how money experts classify expenses.
- Outcome #2: Participants will be able to name the largest household expense for most families.
- Outcome #3: Participants will be able to distinguish what makes a debit card unique.

## Target Audience

Parents of elementary-age kids (grades 3 to 6)

## Materials

1. Flip chart and markers or a dry-erase board and dry-erase markers
2. Name tags (downloaded for free from the Bank It Web site), one for each participant
3. A pen or pencil for each participant
4. Something to track time
5. Evaluation Pretest #1-SP-PE for each participant
6. Evaluation Posttest #1-SP-PE for each participant
7. Notes #1-SP-PE for each participant
8. Optional: PowerPoint Presentation PDF #1-SP-PE
9. Optional: Handout #1-SP-PE for each participant

## Timing

1 hour

**Want more background and training tips?** See the free, downloadable Bank It Elementary Quick Start Leader's Guide at [www.bankit.com](http://www.bankit.com).

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## 1. Welcome and Overview (5 minutes)

Arrive early. We highly recommend that you use the optional PowerPoint Presentation PDF and the optional handout—both will greatly enhance your session. If you're using the PowerPoint Presentation PDF, show the "Welcome to Bank It" slide as participants enter the room.

Greet each participant individually and learn their names as they arrive. Have them create a name tag with their first name only.

Give participants a copy of the Notes #1-SP-PE and either a pen or pencil. Encourage them to use it to take notes during your session. Have them sit in clusters of about four people. If possible, have them sit at tables. Then welcome the whole group to the session.

*Say: Welcome to Bank It. Bank It delivers real-world financial topics and tools for kids and parents that make it easier to understand, talk about, and manage their money. Bank It was developed by Capital One and Search Institute. I'm glad each one of you is here.*

*Today we will focus on the basics of spending money, and we plan on meeting three goals. One: By the end of this session, you will be able to identify how money experts classify expenses. Two: You will be able to name the largest household expense for most families. Three: You will be able to distinguish what makes a debit card unique.*

*Feel free to use your Bank It Notes to write what you learn as we go along. At the end of the session, we will take time to complete a short evaluation.*

If this session is not the first session you're presenting to this group, consider briefly discussing the optional challenge that you may have given participants at the end of your previous session. The optional challenges described at the end of each session provide you a way to connect sessions together to make a series. Once your group comes back together for the next session you can use the optional challenge as a refresher and review of what was learned in the previous session.

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## 2. Pretest and Activity (15 minutes)

*Say: The first activity we'll do is a short pretest. The pretest has only six questions, and I don't want you to worry about how well you'll do on it. We'll take this test again at the end of our session, after we have learned about the money concepts that are covered.*

*What matters most is how much you learn and how well you do on the test at the end of our session, not how well you do on the pretest.*

Distribute the Evaluation Pretest #1-SP-PE to participants. Give them time to complete the pretest. Then collect the pretests when the participants have finished. The Evaluation Key #1-SP-PE has all the answers for your information.

*Say: Research shows that children in the United States spend lots of money.<sup>1</sup> Before 1990, spending by children ages 4 to 12 almost doubled every 10 years.<sup>2</sup> In the 1990s, it tripled.<sup>3</sup> Currently, children spend \$40 billion every year.<sup>4</sup>*

*Ask: What do you use to spend money?* Write participants' answers on a flip chart. Make sure these six major methods are mentioned: 1. Cash. 2. Check. 3. Debit card. 4. Credit card. 5. Online banking. 6. Loan.

*Briefly describe each method of payment: When you pay with cash you use bills and coins. When you use credit, you're using a credit card for which you receive a monthly statement that lists all of the items and services you bought with your credit card. You can write a check, which is tied to an account. Or you can use a debit card, which looks like a credit card but is tied to an account where the funds are taken out right away. If you use online banking, you pay bills through your account by using the Internet and the bill-pay method of your account. If you are purchasing something that costs a lot of money, you can apply for a loan. A loan is money you borrow now that you must repay later (with possible interest).*

*Ask: What do your kids use to spend money?* Write participants' answers on a flip chart. The most common method for kids is cash (coins or bills), and sometimes they use gift cards.

*Then ask: Which payment method is best?* (Answer: It varies, depending on the person.) Discuss the pros and cons of each payment method and why some people favor some methods over others. (There are no right or wrong answers.)

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Ask: *What's the best way for children to use money as a method of payment?* (Answer: Cash.) Ask: *Why?* (Answer: Because children are too young to use checks and credit cards. Some children can get a debit card when they are older and get an account at a financial institution. Cash is also the easiest way for kids to keep track of money. They know when they have it and when they don't.)

Ask: *What's the best way for an adult to use money as a method of payment?* (Answer: It depends.) Ask: *Why?* (Answer: Because each way of spending can be helpful if an adult uses that type of spending well. When used responsibly, credit cards, for example, can help adults establish and build their credit rating /credit score which is something we'll learn more about in the Borrow Well session.)

Ask: *When is a loan the best method of payment?* (Answer: When an adult is buying something so expensive they are not able to pay for it any other way, e.g., a house or a car.)

Once participants understand the major payment methods, say: *We're going to do a quick activity called "How Quickly?" I'm going to name a time frame, such as a day or a week. Raise your hand if the situation applies to you. Keep your hands down if it does not.*

Say: *You just got money. Raise your hand if you spend it right away.* (Give participants time to raise their hands if they agree with the statement. Then have participants look around to see how many have raised their hands.)

Then list other scenarios, such as these, one at a time, giving time for participants to raise their hands: *You just got money. Raise your hand if you wait a day to spend it.* (Give participants time to respond.) *You just got money. Raise your hand if you wait a few days to spend it.* (Give participants time to respond.) *You just got money. Raise your hand if you wait a week to spend it.* (Give participants time to respond.) *You just got money. Raise your hand if you are good at waiting to spend it.* (Give participants time to respond.) After you've finished the activity, debrief it. Ask: *How do you decide how to spend your money?*

If you have time, repeat the activity, this time having participants respond to how quickly their kids spend money once they get it. Discuss how similar or different their kids are from them in when they spend their money.

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### 3. Present (15 minutes)

Explain that money experts classify the money we spend, called *expenses*, in two major ways. On a flip chart, write “Fixed” on the left-hand side and “Variable” on the right-hand side. Ask if anyone knows the definitions of these two words. Explain that fixed expenses are expected to stay the same and variable expenses will change. (Consider writing “stays the same” and “will change” in parentheses under the labels to help participants understand them.)

Explain that a third term also exists. It’s called “outflows,” or money that goes out. Money experts use this term to talk about money when they discuss budgeting. The money that comes in is considered an “inflow.”

Explain that you’re going to focus on the first two terms: “fixed” and “variable.” Say that you’re going to name different money situations and participants should decide if the situation fits the “fixed” category or the “variable” category. Write the answer in the correct spot after it is agreed upon as a group.

Name money situations such as these: *You borrow money to buy a car and you have a monthly car payment of \$400. Fixed or variable? (Answer: Fixed.) You spend \$150 on groceries one week and \$125 on groceries the next week. Fixed or variable? (Answer: Variable.)*

*You buy your child a video game for \$30 one month and then don’t buy your child another video game until six months later. Fixed or variable? (Answer: Variable.) You pay the monthly rent for \$1,000 a month. Fixed or variable? (Answer: Fixed.)*

Ask: *Where can you cut back on your spending more easily: with fixed costs or variable costs? (Answer: Variable because it changes.)* If you plan to distribute the optional handout, use it at this time. The Handout Key #1-SP-PE has all the correct answers for your information.

Say: *Now let’s talk about how families spend money.* On another piece of flip chart write “Household expenses.” Then list these items: *food, housing, clothing, transportation, health care, entertainment, and insurance and pensions.*

Explain that you’re going to discuss each of these categories as a group. If the group has just completed the handout, encourage them to use the information on the handout.

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Ask: *What are food expenses?* (Answer: Groceries. Eating out. Buying snacks.) *What are housing expenses?* (Answer: Rent or the monthly amount you pay to own a house, which is called a mortgage payment ). *What are clothing expenses?* (Answer: Pants. Shirts. Shoes. Belts. Pajamas.)

Ask: *What are transportation expenses?* (Answer: Bus pass. Subway pass. Car payment. Gas for the car. Insurance for the car. Cab fares.) *What are health care costs?* (Answer: Cost to go to the doctor. Medicine. Health care insurance.) *What are entertainment costs?* (Answer: Movies. Concerts. Video games.)

Ask: *What are insurance and pensions?* (Answer: Life insurance. Health insurance. Car insurance. Retirement funds. IRAs.)

Ask: *What is the most common household expense for most families?* Let participants guess from the list of expenses you listed on the flip chart. (Answer: Housing.<sup>5</sup>) *What is the least common household expense for most families?* Let participants guess. (Answer: Clothing.<sup>6</sup>)

Say: *Let's talk about debit cards. What does a debit card look like?* (Answer: It's plastic. It looks like a credit card.) *Even though a debit card looks like a credit card, it's very different. A debit card is linked to a savings or checking account. As soon as you use the debit card, the money is taken out of your account.*

*For a credit card, you receive a monthly bill that you need to pay. For a debit card, you do not receive a monthly bill. The money comes out of your account immediately.*

Say: *You can get a debit card when you open a savings or checking account. You don't have to wait to become an adult, like you do to get a credit card.*

Say: *To get a debit card, you have to have a savings or checking account. These accounts are available at financial institutions. On a flip chart list the three major types of financial institutions: Bank. Savings and loan. Credit union.*

Say: *Raise your hand if you've ever used a bank.* (Pause. Ask participants to notice how many hands are raised.) *Raise your hand if you've used a savings and loan.* (Pause. Ask participants to notice how many hands are raised.)

Say: *Raise your hand if you've ever used a credit union.* (Pause. Ask participants to notice how many hands are raised.)

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*Say: All three of these financial institutions are helpful when you manage your money. It's often helpful to compare the products, benefits, and fees to see which institution is best for you.*

## 4. Discuss (5 minutes)

*Say: Take some time to talk to the people near you. Talk to about two or three people. Take turns. I want you to do two things: 1. Say your first name. 2. Name the best thing you bought lately and explain why. Start with the person who has the most pets. Then have each person take a turn.*

## 5. Review and Evaluate (15 minutes)

Review what was accomplished during this session. Ask: *What are common ways to pay for something?* (Answer: 1. Cash. 2. Check. 3. Debit card. 4. Credit card. 5. Online banking. 6. Loan.) *How do money experts classify expenses?* (Answer: 1. Fixed. 2. Variable. 3. Outflows.)

Ask: *What is usually the largest household expense for most families?* (Answer: Housing.) *What is usually the smallest household expense for most families?* (Answer: Clothing.)

Ask: *What is true about debit cards?* (Answer: 1. A debit card is linked to a checking or savings account. 2. A debit card is different from a credit card. 3. The money is stored in an account, not on the debit card. 4. You can get a debit card when you're a child or teenager if you have an account. As the parent or guardian you would add your child onto a joint account with you as the adult responsible for that account. The child has to be at least 13 years old. 5. You do not receive a monthly bill.)

Ask: *What are examples of financial institutions?* (Answer: 1. Bank. 2. Savings and loan. 3. Credit union.)

At the end of the review, distribute Evaluation Posttest #1-SP-PE to each participant. Give participants time to fill out the posttest. Collect all the posttests after participants finish so you can find out the measurable outcomes for the session. The Evaluation Key #1-SP-PE has all the answers for your information.

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## 6. Close (5 minutes)

Do a short activity for the closing. Have participants stand and form a circle. Ask: *What do you tell your kids about how to spend their money well?* Encourage participants to share what they've said. Have the group talk about which bits of advice they like the best.

Say: *We all spend money. We can make good choices when we spend money.* Challenge participants to talk to family members about this topic, which is listed under the Talk about It section of the Notes you provided. Thank participants for coming and for being involved.

## Optional Activities

**1. Distribute Handout #1-SP-PE: Family Expenses: Fixed or Variable.** Give participants the handout to complete. Afterward, discuss their answers. Handout Key #1-SP-PE has the correct answers for your information.

**2. Show the PowerPoint Presentation PDF #1-SP-PE.** Use the presentation to accompany the one-hour session.

**3. Give Participants a Challenge.** Encourage participants to use the next week to ask their kids how they decide whether they should use cash or some other way to spend money. Ask what their kids think about how their family spends money. (If you wish, follow up during your next session to find out how the challenge went.)

Questions? Looking for more ideas? Visit [www.bankit.com](http://www.bankit.com) for answers and more resources.

## For More Information

*National Standards in K-12 Personal Finance Education* (Washington, D.C., Jump\$tart Coalition for Personal Financial Literacy, 2007), standards 1 and 3 in the area of Planning and Money Management.

*An Asset Builder's Guide to Youth and Money* by Jolene Roehlkepartain (Minneapolis: Search Institute, 1999).

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## Sources

- <sup>1</sup> Packaged Facts, "The Kids Market in the U.S.," seventh edition, a Packaged Facts report, May 1, 2006.
- <sup>2</sup> James U. McNeal, *The Kids Market: Myths and Realities* (Ithaca, NY: Paramount Market Publishing Inc., 1999).
- <sup>3</sup> Ibid.
- <sup>4</sup> Packaged Facts, *ibid.*
- <sup>5</sup> U.S. Bureau of Labor Statistics, "Consumer Expenditures—2009," *Economic News Release*, October 5, 2010.
- <sup>6</sup> Ibid.

