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Money Is a Tool



- By itself, money has not value
 - When you use money it assumes a meaning
- Each person makes unique decisions about money
- Most people have a mixture of different attitudes, values and beliefs about money

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Money Is a Tool



- How much do you know about how to use money as a tool?
- Statistics show that, in your lifetime, you will earn \$1,667,700 . . .

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So You're Going to Be a Millionaire




- Earning
- Budgeting
- Time-value of money
 - Saving
 - Spending
 - Compound interest

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Questions for Prize

- Answer as Teams



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Team Questions

- Divide into teams of 4-6
- Decide on Team Name



Take Turns--Team Runner

- Sticky Notes
 - ↓ Write team name on sticky note each time your team answers a question

Class of '08

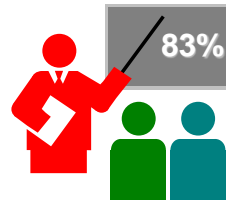
\$6

Team Question 1

- What percent of undergraduate students have at least one credit card?



Percent of students with one credit card



Team Question 2

- What's the average credit card balance owed by undergraduate students?



Credit Card Balance for College Students



\$2,327

Team Question 3

- What percent of college students have a credit card balance between \$3,000 & \$7,000?



**Balance between
\$3,000 & \$7,000**



21%

Team Question 4

- What is the average combined education loans & credit card balances for college seniors?



**Average combined
education loans &
credit card debt**

\$20,402

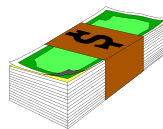


**Graduating seniors
student loan debt**



\$17,140

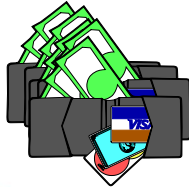
**Graduating seniors
credit card debt**



\$3,262

Team Question 5

- How many credit cards does the average American household use?



Number of Credit Cards the Average household Uses



8

Team Question 6

- What's the average credit card balance owed by American households?



Credit Card Balance...



Credit Card Interest that Americans pay each year



\$64 billion

Individual Question

- What is the average annual credit card interest rate?



Average credit card interest rate

18.9%



Team Question 7

- What percent of credit card holders say they hardly ever pay the balance in full?



Hardly ever pay in full



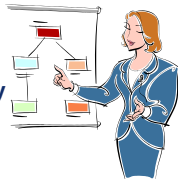
35%

Credit Cards: Avoid The Minimum Payments Trap



Earning and Education

- Get an education
- Some sort of training
- Educate yourself about money
 - Lifelong education
 - Books
 - Classes
 - Newspaper
 - Learn something everyday about \$\$\$



Importance of Education

Educational Level for Americans, 25+ years	Median Income (\$2006)
Less than 9 th grade	\$20,901
9 th to 12 th grade, no HS diploma	\$25,912
High School Diploma	\$39,426
Some college, No degree	\$49,691
College Graduate	\$81,723
MS Degree	\$88,422
Professional Degree	\$100,000

<http://www.census.gov/hhes/www/income/statistics/h13.html>

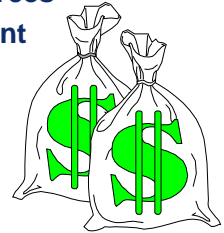
Learning to Earn

- **Skills**
 - Career building
- **Attitude**
 - Be positive
 - Be motivated
- **Talents**
 - Develop your hobbies
- **Willingness**
 - Try new things



How Much Do You Spend?

- Teens have resources
- In 2006, teens spent \$153 billion
- WOW-True in Montana?



Access to Credit Cards

- Means extra spending
 - On impulse buys
 - On items you would not otherwise be able to afford
 - On interest (finance charges)



So What's the Big Idea?

- Paying off credit card balances sooner, means higher payments, but
- You pay le\$\$ intere\$t!



Minimum Payments: How You Get Trapped



■ June Bill	Balance = \$1,000
3% minimum payment	\$30
Interest	15
Principal	<u>15</u>
Total Balance Left:	\$985

Minimum Payments: How You Get Trapped



■ July Bill	Balance = \$985
3% minimum payment	\$29.55
Interest	14.77
Principal	<u>14.78</u>
Total Balance Left:	\$970.22

Minimum Payments: How You Get Trapped



■ August Bill	Balance \$970.22
3% minimum payment	\$29.10
Interest	14.55
Principal	14.55
Total Balance Left:	\$955.67

The Costs of Minimum Payments

- Matt (light blue)
- Julie (aqua)
- Chris and Bethany (Lavender)
- Use Credit Smarts Calculator to answer



Discovery

- If you make continued payments of the initial 3% amount, any debt can be paid off in 3.88 years!!!!!!



Steady Payments



debt	payment	yrs
■ \$10,000	\$300	3.88
■ \$25,000	\$750	3.88
■ \$30,000	\$900	3.88

Parting Wisdom

- Pay MORE than 3% minimum & save a LOT



Steady as She Goes

- Steady (even) payments will reduce debt and interest
- Just the same, steady (even) payments to savings will earn interest



Savings and the Time Value of Money

- **Tiffany and Brian**
 - Who will have the most?



Brian

- Deposits \$2,000 for 10 years
 - Age 25-34
 - Saves Nothing for next 30 years

Tiffany

- Waits until age 35
 - Deposits \$2,000 for next 30 years

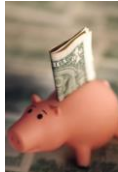


Brian

Tiffany

Contributions

\$20,000



\$60,000

Time & Money



- **Brian** **\$545,344**
- **Tiffany** **\$352,427**
- **Brian saved less, but began earlier**
 - Has \$192,917 more than Tiffany
- **Are you a Brian or Tiffany?**

Compound Interest

- **Is magical when money is steadily invested & left to grow!**



Saving!



- **How do you find money to save?**
 - The "Drink Sink" – find some missing money
 - Habits – form *saving* habits versus *spending* habits!
 - Save part of what you earn
 - Invest, so your money is earning interest

Show Me the Money!

■ Happy saving

