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.

So You're Going to Be a Millionaire

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

Questions for Prize

- Answer as Teams

Authors:

- Katelyn Andersen, MSU Ravalli County Extension
- Jane Wolery, MSU Teton County Extension
- Marsha Goetting, MSU Extension Family Economics Specialist
Team Questions

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

Team Question 1

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

Team Question 2

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

Percent of students with one credit card

- 83%

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? 21%

Team Question 4
- What is the average combined education loans & credit card balances for college seniors? $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...

$9,900

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

<table>
<thead>
<tr>
<th>Educational Level for Americans, 25+ years</th>
<th>Median Income ($2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 9th grade</td>
<td>$20,961</td>
</tr>
<tr>
<td>9th to 12th grade, no HS diploma</td>
<td>$25,912</td>
</tr>
<tr>
<td>High School Diploma</td>
<td>$39,426</td>
</tr>
<tr>
<td>Some college, No degree</td>
<td>$49,691</td>
</tr>
<tr>
<td>College Graduate</td>
<td>$81,723</td>
</tr>
<tr>
<td>MS Degree</td>
<td>$88,422</td>
</tr>
<tr>
<td>Professional Degree</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

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 less interest!

Minimum Payments: How You Get Trapped

- June Bill Balance = $1,000
  - 3% minimum payment $30
  - Interest 15
  - Principal 15
  - Total Balance Left: $985

Minimum Payments: How You Get Trapped

- July Bill Balance = $985
  - 3% minimum payment $29.55
  - Interest 14.77
  - Principal 14.78
  - 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

<table>
<thead>
<tr>
<th>debt</th>
<th>payment</th>
<th>yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>$300</td>
<td>3.88</td>
</tr>
<tr>
<td>$25,000</td>
<td>$750</td>
<td>3.88</td>
</tr>
<tr>
<td>$30,000</td>
<td>$900</td>
<td>3.88</td>
</tr>
</tbody>
</table>

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
- Contributions
  - $20,000

Tiffany
- $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!

$aving!
- 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