

TIME
FOR KIDS

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FINANCIAL LITERACY FOR KIDS

A Closer Look

Uncover the
truth about five
money myths.



Fact or Fiction

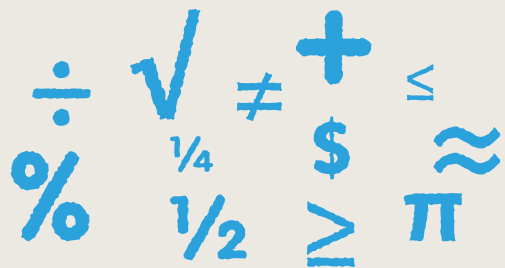
If you swallow gum, it stays in your stomach for seven years. If you go out with wet hair, you'll catch a cold. These are myths—incorrect ideas that are accepted as true. There are also many myths and misconceptions about money. Here, we dig for the truth about five money myths.

—By Kelly Hultgren

MYTH 1

I need to be a math genius to be good with money.

Math and money are related, of course. But you don't have to be a genius to understand the basic concepts. You'll have most of the math knowledge you need for dealing with money by the time you enter middle school. Calculating correct change at a cash register involves subtraction. Leaving an 18% tip for your restaurant server requires percentages. Money expert Susan Beacham recommends diving in and doing your best, even if you're not confident—you will become better with practice. If you want to, double-check your figures with a calculator.



MYTH 2

I can always get more money from the bank.

According to research from T. Rowe Price, 75% of kids rarely or never go to a bank. Some might think that getting more money is as easy as visiting an ATM or swiping a debit card. It's not. Money has to go into the bank first. Often this happens invisibly, through **direct deposit**. But your parent earned that money; it didn't magically appear. "Your parents exchange their time for money," says Beacham. "So every time you ask for something, [they worked a certain amount of time to pay for it]."



EVA-KATALIN—GETTY IMAGES

MYTH 3

It's rude to talk to my parents about money.

Many parents are somewhat reluctant to talk to their children about money, the T. Rowe Price research shows. Some parents are also reluctant to talk about bullying, drugs, and other real-world problems—yet they do it anyway. Why? Because adults know that talking to you about these things will make you smarter about them. Reluctant or not, nearly two-thirds of parents say they will talk about money when their kids ask.



GETTY IMAGES

MYTH 4

More money will make me happier.

Money only buys happiness to a certain point, research shows. Once you have enough to meet your needs and live comfortably, more money won't make you more happy. So rather than focusing on earning millions, find something you love to do that will let you pay your rent, put gas in your car, and save money. Also, have some fun. People report being happier spending their money on experiences than on things.



MYTH 5

You need money to support charities.

Research shows that using money to give back feels great. But if you don't have money to spare, your time is also valuable. "You may not have money to give to the children's hospital, but you could read books to younger kids," says Beacham. Anyone can volunteer, raise money, raise awareness, or start a charity. What could you do?



PRNEWSFOTO/FOOD LION



WHO WANTS TO BE A MILLIONAIRE?

Who doesn't? But doing something you love is more important than making millions. Sure, it's possible to turn your passion into a payday—Taylor Swift, 26, turned her love of music into millions. Swift is an extreme example, of course. There are roughly 10.4 million American households with assets of \$1 million or more. But what is a typical millionaire like? Take this true or false quiz. Then check your answers on the back page.

- ___ 1. Most millionaires inherited their money.
- ___ 2. Millionaires rarely work for themselves.
- ___ 3. Most millionaires wear expensive clothes and drive new cars.
- ___ 4. Most millionaires are college dropouts.
- ___ 5. You can save enough money to become a millionaire.

FAMILY CHALLENGE

What is your time worth?

To calculate the value of your time, look at your last paid job. Maybe you washed a car or ran a lemonade stand. How much did you earn? Divide that amount by the hours you spent. That's your hourly wage.

POWER WORDS

direct deposit *noun*: a method of payment in which money is transferred electronically, without the use of checks or cash

misconception *noun*: a wrong idea or misunderstanding

KIDS WEIGH IN

There's no debate about whether it's important to understand personal finance. Being able to manage money is one of the most important building blocks for success. But is it too early to start learning about personal finance in elementary and middle school? Two TFK Kid Reporters weigh in.



Priya Bhakta, 10
Tustin, California

Studies show that learning something at a young age helps you develop good habits. Understanding personal finance will help kids prepare for when they have a job and money to manage. Isn't preparing kids for future success what school is supposed to do? If we want a strong future generation, teaching kids how to handle their personal finances will be key to making that happen.

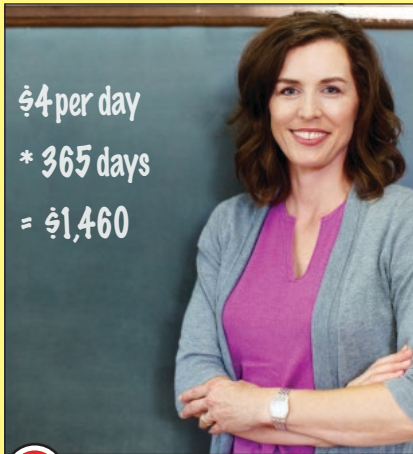
YES!

NO!



Robert Gardner, 13
Haddon Heights, New Jersey

Financial literacy is an important skill. But elementary and middle school students should be focusing on subjects like reading and math, and gaining critical-thinking skills. These years are a time for learning the fundamental skills that will help kids develop more complex skills later on. With limited time to study subjects like history and science, why learn about subjects that are more relevant to older students?



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

ASK JEAN

Jean Chatzky is a money expert.

Why do you sometimes get a lot of taxes back but sometimes you don't?

—*Karinna Trotter, 9, Milwaukee, Wisconsin*

Good timing, Karinna—April is tax month! Look at a paycheck to see how a tax refund works. You'll see deductions: money being withheld to pay taxes to the federal government as well as city and state governments. These taxes pay for things like schools and road repairs. In general, the more you earn, the more taxes you pay. But your final bill also depends on other things, like how much you give to charity and if you have deductible expenses. That makes it tough to predict exactly how much to withhold. Filing taxes each April is a way of settling up with the government. If you paid more than you needed to pay throughout the year, the government sends you a refund. If you paid less, you write the government a check.

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

A N S W E R S

WHO WANTS TO BE A MILLIONAIRE?

- FALSE** Roughly 80% of millionaires earned their money.
- FALSE** More than 50% of millionaires are self-employed.
- FALSE** Roughly 50% of millionaires have never paid more than \$400 for a suit. More than 50% drive a car that is more than two years old.
- FALSE** 80% of millionaires graduate from college.
- TRUE** Say you start saving \$50 a week (\$2,600 a year) at age 21. If you invest that money and earn an 8% return each year, you'll have more than \$1 million by the time you turn 65. And if you increase your savings as you earn more money, you'll have much more!

SOURCE: COURTESY OF PRICEWATERHOUSECOOPERS LLP AND ADAPTED FROM THE MILLIONAIRE NEXT DOOR, BY THOMAS J. STANLEY AND WILLIAM D. DANKO (1996)

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