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FINANCIAL LITERACY FOR KIDS

5

STEPS TO SKYROCKET YOUR \$AVING\$

How to Work Toward Your Goals



SAVE \$MARTER!

What are your goals? Maybe you'd like to run a mile or ace that big science test. The key to reaching your goal is planning out how to get there. The same is true for saving money. The right plan can help you 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. Then research how much it will cost. Do you want \$20 headphones or wireless Beats headphones for eight times the price? Wait one week. If you still want those headphones, 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 in a month? Or is it a long-term goal that could take years to reach? In an ideal world, we'd all get what we wanted immediately.

Unfortunately, that's not always possible. Waiting is difficult, but it's an important skill to master. The next step will help.

STEP 3: ESTABLISH BENCHMARKS

Break your goal into smaller steps, or **benchmarks**. Lauren is saving \$700 for a school trip. (See "Eyes on the Prize.") Say the trip is a year away. Lauren could divide the total cost of \$700 by 52, the number of weeks in a year. That comes to \$13.46. She'll have to save that much each week. (The math: $700 \div 52 = 13.46$.) Doesn't that seem achievable? "People don't meet goals when they bite off more than they can chew," says economist Sarah Newcomb.

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 keep

you on track. Next, imagine overcoming an obstacle to your goal. Let's say you're tempted to spend money at a 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 each time you inch closer toward your goal. If you miss the mark, think about what went wrong. Did something distract you? Or was your goal too challenging?

"Look at it as a learning opportunity," says Robin Taub. She is the 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, helping out at home, 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 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 money that is not tied to any bank or country and is not controlled by government rules

THE POWER OF COMPOUND INTEREST

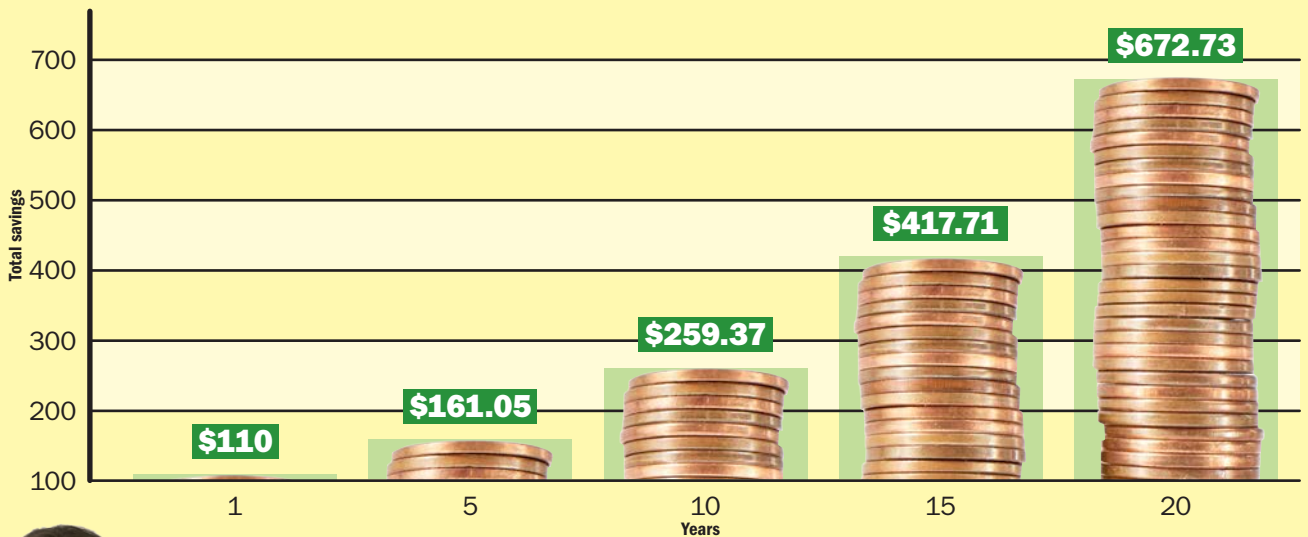
What happens when you put money in a piggy bank? Nothing, unless you add more money. But put that money in a savings account and it will earn interest. Banks pay you interest for keeping your money with them. The longer the money stays in the bank, the more the money grows. That growth is called compounding, or earning interest on your interest.

Look at the chart below. Let's say you started saving with \$100 and it earned 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 \$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. In 20 years, you'd have \$672. And you only had to contribute \$100!

Right now, bank interest rates are not nearly as high as 10%. To earn that rate, you'd have to invest in stocks or mutual funds. The goal is for your money to work 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 business owner pays himself or herself. Business owners even have the power 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 make sure they have enough money 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.

COURTESY JEAN CHATZKY