An old rock group called the Rolling Stones once sang, “You can’t always get what you want.” That’s true of lots of things in life, but it’s especially true of money.

In this book, you’ll learn some things that every clever kid should know about money.

Read on to find out how “Great Minds Think”!

A surprise waits for you at the end if you complete this book.
We all have a limited amount of money that we can use to buy the things we need or want. We call this **scarcity**. Sure, it would be nice to have whatever we want whenever we want it, but because our money is scarce, we have to make **choices** about how to earn, spend, and save it.

When you make a choice, you give up one thing—your **cost**—in exchange for another thing that you want or need—your **benefit**. For example, when you go to the movies, you choose whether to see a scary movie or a funny one. If you choose the scary movie, you give up the opportunity to see the funny movie.

As you read on, you’ll discover that making choices is all about weighing the costs and benefits of each decision.
Where does money come from? Hint: It doesn’t really grow on trees.

Most people get money by earning it, and that money is called income. When you earn income, you trade your time and effort for dollars—in other words, you work. The money you earn from work allows you to do two important things: spend and save.

You’re not too young to earn your own money. In fact, when you learn to earn, you’ll gain other important skills that will help you succeed in life: how to use time wisely and how to work with other people, for starters.

To figure out how you could earn income, ask yourself:

- What special skills and talents do I have?
- How do I enjoy spending my time?
- Do my friends, family, or neighbors need help with something?
- Are there things I have at home or could borrow—like a computer, tools, or art supplies—that I could use to earn money?

Here’s an example:

Dylan is saving money to buy a birthday present for his grandmother. He loves to be outside, so he asks two neighbors to hire him to do outside chores during summer vacation.

Mr. Jones offers to pay Dylan $10 per week for the next 10 weeks to mow his lawn. Another neighbor, Mrs. Banks, offers him $20 to plant flowers in her front yard for one day. Dylan accepts both offers. How much will he earn this summer?

Ask an adult

What was your first job?
How much money did you earn?

Lawn Mowing:
10 weeks @ $10 per week = ________

Flower Planting:
1 day @ $20 per day = ________

Total = ________
Think about jobs you could do to earn money and figure out how much you could earn in one week or one month.

My special skills and talents are:

________________________________________________________________________________

________________________________________________________________________________

________________________________________________________________________________

Here are three ways that I could use my skills and talents to earn money:

1. ___________________________________________________________________________

2. ___________________________________________________________________________

3. ___________________________________________________________________________

How much could I earn by doing these jobs?

<table>
<thead>
<tr>
<th>Earning Idea #1:</th>
<th>Column A</th>
<th>Column B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount earned by working one week</td>
<td>Amount earned by working one month (Column A x 4)</td>
</tr>
<tr>
<td>Earning Idea #2:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earning Idea #3:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
At the beginning of this book, we talked about choices. When you make a choice, you have to give up one thing—an opportunity—to get another thing that you want or need more.

We all make choices every day: what time to get out of bed, what to eat for breakfast, and how much time to spend doing homework are some of the choices you might make.

When you make a choice to spend your time or money on one thing, you give up the opportunity to spend it on another thing. The thing that you give up—your second-best choice—is called your opportunity cost. The idea of opportunity cost can help you make choices because you have to think about what you are giving up. Here’s an example:

You love two things: soda and gum. A soda costs $1, and a pack of gum costs 50 cents. If you have only $1, you can buy either one soda or two packs of gum. The opportunity cost of buying one soda, then, is two packs of gum—you give up the gum in order to buy the soda. On the flip side, the opportunity cost of buying two packs of gum is one soda.

Can you think of any other examples?

<table>
<thead>
<tr>
<th>If I spend my time/money on...</th>
<th>I have to give up...</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

4.
Because of scarcity, everyone has a limited amount of money to spend. That’s why we have to make choices about how to spend the money we do have. Usually, that means choosing between things that we need and things that we want.

Some things are necessary to survive, such as shelter, food, and clothes. These are things we absolutely can’t do without.

Other things are nice to have, but aren’t necessary to live, such as video games, candy, movie tickets, or an MP3 player. We can do without these things, even though we might not want to.

When it comes to making choices about money, there is no one right or wrong answer, because everyone’s needs and wants are different.

What Are Your Needs and Wants?

Write down five things you need to survive and five things you want, but could do without. Next, rank the importance of each thing, numbering them from “1” (most important) to “5” (least important). Share your list with a grown-up and explain your choices.
A budget is a plan that balances money coming in (income) with money going out (expenses). To make a budget, first add up all of your income—for example, money you earn from work, an allowance, or even birthday or holiday gifts. That’s the amount of money you have to spend or save. Then, add up all your expenses—the money you plan to spend on things you need or want.

There are lots of things you might want to buy, but you know you can’t have everything you want. You have to think about the costs and benefits of each expense and decide which are most important to you.

Here’s an example: Kayla gets an allowance of $5 per week. She also walks her neighbor’s dog every day, earning $15 per week. On top of that, Kayla received a birthday gift of $20. So, Kayla has three different sources of income this week.

Use the Budget Worksheet to figure out Kayla’s total income for the week.

Kayla must decide how to spend her money. At the end of the week, she’d like to have money left over to save. She comes up with a list of choices:

- Book for school assignment: $8
- Trip to the movies (ticket, popcorn, and soda): $14
- Lunch at school ($2 per day): $10
- Birthday gift for her brother: $10
- Cell phone (one month’s service): $30
- Candy and gum: $4
- Downloads to her MP3 player: $15
- Donation to the local food bank: $5

Does Kayla have enough money for all these things? How would you suggest that Kayla spend her money? How much could she save for later?
# BUDGET WORKSHEET

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>Expenses</td>
</tr>
<tr>
<td>Source(s)</td>
<td>Amount ($)</td>
</tr>
</tbody>
</table>

**Total:**

How much is left over?

(Column A Total minus Column B Total): $ ________

---

**ASK an ADULT**

DO YOU HAVE A BUDGET?

WHAT THINGS DOES IT INCLUDE?
Saving: Money in the Bank

One of the most important things you can do with money is to save it—that is, put some money aside now so that you can use it later. By saving a little bit each week, you can put together enough money to buy something special, such as a new bicycle, a trip to an amusement park, or a gift for someone special.

You can save money at home (in a piggy bank, for instance) or at a bank. When you deposit money in a bank, it’s kept safe in a special account with your name on it. When you want to use the money you’ve saved, you go to the bank and make a withdrawal.

When you save money, it helps to have a goal in mind—an idea of how you’d like to spend it. For example, Mark wants to save money to go to an amusement park. He’ll need to save $75 to pay for his admission, food, and a souvenir.

If Mark saves $5 each week, how many weeks will it take to save $75? ________

How long will it take if he saves $10 per week? ________

ASK an ADULT

DID YOU EVER SAVE MONEY FOR SOMETHING SPECIAL WHEN YOU WERE A KID?
Picture this!

Think of a goal you’d like to save for. Draw a picture or paste photos cut from magazines to show your savings goal. Hang this picture on the refrigerator, in your room, or next to your piggy bank to remind yourself to save your dollars and cents.
What’s the Plan?

Now that you know what you’d like to save money for, figure out how much you’ll need to save each week and how long it will take to reach your goal.

The goal I want to save for is: __________________________________________________________

To get there, I must find out:

A. How much do I need to save? $ _______

B. How much do I have now? $ _______

C. How much more do I need? $ _______

(A minus B)

If I save... | I will reach my goal in this many weeks...
---|---
$1 per week
$2 per week
$5 per week
$10 per week
There sure is a lot to learn about money!

You’ve learned how to make choices about earning, spending, and saving it!

What do you know?

How much have you learned about earning, spending, and saving money?

Next to each statement, write “T” if the statement is true, or “F” if the statement is false.

Find answers on back of booklet.

_____ 1. Scarcity means we all have an unlimited amount of money.

_____ 2. People earn money by trading time and effort for dollars.

_____ 3. Money you spend is called income.

_____ 4. A budget is a plan that lets you spend as much money as you want.

_____ 5. When you save, you put money aside for later use.

_____ 6. Every choice has both a cost and a benefit.

_____ 7. When you make a choice, the thing you give up—your second-best choice—is your opportunity cost.
Bank
A place to save money

Benefit
What you gain when you make a choice—the satisfaction of your needs or wants

Budget
A plan that balances money coming in (income) with money going out (expenses)

Choice
An option that you select

Cost
What you give up (such as time or money) when you make a choice

Earn
To receive money in exchange for work

Expenses
Money that you spend (the opposite of income)

Income
Money that you receive in return for your work (the opposite of expenses)

Needs
Things that are necessary to survive

Save
To put money aside for later use, to accumulate money (the opposite of spend)

Spend
To use money to buy things (the opposite of save)

Wants
Things that are nice to have, but aren’t necessary to survive

Word Search
Find each of the words listed below in the puzzle. Be sure to look up and down, across, diagonally, and backwards.

Glossary

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To use money to buy things (the opposite of save)

Wants
Things that are nice to have, but aren’t necessary to survive

If you don’t remember a word, check the glossary to find out what it means.

Find answers on back of booklet.
I, ______________________________________, used my “Great Mind” to learn about earning, spending, and saving money.

Date: ______________________________________

Signature: ______________________________________
To learn more about all things money
visit the Learning Center and Money Museum
at the Federal Reserve Bank of Cleveland.

To plan a visit, call 216.579.3188
or go to www.clevelandfed.org/learning center.

For additional copies of this brochure, e-mail learningcenter@clev.frb.org
or call 216.579.3188.

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Answers from page 11:

Answers from page 12:

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