



# Great Minds THiNK



A  
New  
GUIDE TO  
MONEY



FEDERAL RESERVE BANK *of* CLEVELAND

# Great Minds THiNK

A  
New  
GUIDE TO  
Money

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**E**conomists—people whose job it is to think about how money can be used to make the world better—like to say, “It’s all about choices.”



In this book, you’ll learn how to think about smart—and sometimes hard—choices about money. As you understand more about money, you’ll be able to make the best financial decisions **for you** throughout your life.

Read on to find out how  
**Great Minds Think!**

## Let's Talk about it

Throughout the book, you’ll find questions for thinking more about each topic. *You can write your answers on page 16.* Talk about your answers with an adult family member or a teacher.

# YOU DECIDE

**W**e have a limited amount of money that we can use to buy the things we need or want. This is called **scarcity**. Because money is scarce, we have to make **choices** about how to earn it, spend it, save it, or give it away.

When you make a choice, you give up something—your **cost**, usually time or money—in exchange for another thing that you want or need—your **benefit**.

Say you choose to participate in a sport. You will have to give up some of your time—which you could spend playing video games or hanging out with friends—but you will get to attend practices and games! You might also have to spend money to pay for equipment or uniforms. Those are your costs. But your benefits—just think—you might score the winning point or make a new friend!

Every choice that you make has **consequences**—something happens as a result of your choice. Consequences can be positive (good) or negative (bad).

Here you'll learn that making choices is about weighing costs, benefits, and consequences. You've already made your first choice—to learn more about money!

## Let's TALK about it

Name one choice that you made today.

What were the costs and benefits of that choice?

Write your answer on page 16.



## GLOSSARY

**Benefit** What you gain when you make a choice

**Cost** What you give up when you make a choice

**Choice** One of several options that you pick

**Consequence** What happens as a result of your choice—good or bad

**Scarcity** The idea that resources are limited

# HOW DO I CHOOSE?

**W**e make choices every day. When you make a choice, you give up one thing (cost) in exchange for another thing that you want or need (benefit). Every choice that you make has consequences—both positive and negative.

Let's practice making a choice. Suppose you have to choose which after-school activity to join. You can only participate in one activity. For example, you could join the marching band or run cross country, or you could join the science club or play basketball. How will you decide which is the best choice for you?

## Follow these steps to make a choice:

1. Identify the choice to be made:

---

2. List the options:

A. \_\_\_\_\_

B. \_\_\_\_\_

3. Consider the costs, benefits, and consequences of each option:

Option	Costs What You Give Up	Benefits What You Gain	Consequences What Happens as a Result
A.			
B.			

4. Based on the costs, benefits, and consequences of each option, what is the best choice **for you**? Why?

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### Examples of costs

- Hanging out with your friends
- Watching TV
- Money for running shoes
- Money for science club supplies
- Money for music lessons

### Examples of benefits

- Develop athletic skills
- Gain confidence in music skills
- Make new friends
- Work as part of a team

### Examples of consequences

- Get a college scholarship
- Make a scientific discovery
- Risk getting an injury

# Learn to Earn

Most people get money by **earning** it. That money is called **income**. When you earn income, you trade your time and effort for money—in other words, you *work*. Two things you might do with the money you earn from work: **spend** it and **save** it.

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

- What skills or talents do I have?
- How do I like to spend 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:**

Matt's favorite band is playing a concert in his town. He would like to save \$65 to buy a ticket for the concert. He asks two of his neighbors to hire him to do chores for them during summer vacation.

- Mr. Jones will pay Matt \$10 per week for 10 weeks to mow his lawn.
- Mrs. Banks will pay Matt \$20 to plant flowers in her front yard for one day.
- Matt accepts both offers. How much will he earn this summer? \_\_\_\_\_
- How much money will he have left over after buying the concert ticket? \_\_\_\_\_

**Lawn mowing:**

10 weeks @ \$10 per week = \_\_\_\_\_

**Flower planting:**

1 day @ \$20 per day = \_\_\_\_\_

Total earned = \_\_\_\_\_

Cost of concert ticket = \_\_\_\_\_

Money left over = \_\_\_\_\_

## Let's Talk about it

Have you ever had a job?

How much money did you earn?

Write your answer on page 16.



## Glossary

<b>Earn</b>	To receive money in exchange for work
<b>Income</b>	Money that you earn or receive
<b>Save</b>	To put money aside to use later
<b>Spend</b>	To use money to buy things

# Earning Money

**T**hink about jobs you could do to earn money. Figure out how much you could earn in one week and in one month.

My skills and talents are:

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<b>Three jobs that I could do to earn money using my skills and talents</b>	<b>Column A</b> Amount I think someone would pay me for this job	<b>Column B</b> Amount earned by working one week	<b>Column C</b> Amount earned by working one month (Column B × 4)
1.			
2.			
3.			

## Cool Fact

Want to know more about how much other jobs pay? Visit the Bureau of Labor Statistics at [bls.gov](https://www.bls.gov) and search for the Occupation Finder.

# Saving: MONEY in the Bank

One thing you can do with money is to save it—that is, put money aside now so that you can use it later. By putting aside a little bit at a time, you can save enough money for something special, such as a new bicycle, a trip to an amusement park, or a gift to a charity. Or you can save for your future.

When you save money, it helps to have a goal in mind—an idea of how you'd like to use it.

## Example 1

Nisa wants to save money to go to an amusement park. She'll need to save \$80 to pay for her admission, food, and a t-shirt.

If Nisa saves \$5 each week, how many weeks will it take to save \$80?  $\$5 \times \underline{\hspace{2cm}}$  weeks = \$80

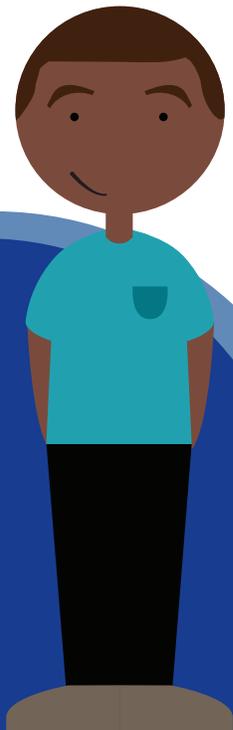
How long will it take if she saves \$10 per week?  $\$10 \times \underline{\hspace{2cm}}$  weeks = \$80

## Example 2

On page 3, Matt earned money by working for his neighbors.

If Matt saves 10% of the money he earns during the summer, how much would he save?

Matt's total earnings =  $\underline{\hspace{2cm}} \times 0.10 = \underline{\hspace{2cm}}$  in savings



## Let's Talk about it

Did you ever  
save money for  
something  
special?

Write your answer  
on page 16.

# BANKS: a PLACE TO PUT YOUR MONEY

What should you do with the money you earn? Many people put their money in a **bank**.

A bank is a safe place to store money. When you go to a bank, you will set up an **account** in your name. When you put money into a bank account, you make a **deposit**. When you take money out, you make a **withdrawal**. The amount of money that you have in your account is your **balance**.

Banks offer different types of accounts—the most common ones are savings and checking.

- A savings account lets you put money aside to use later.
- A checking account allows you to make purchases and pay bills using a debit card, an online or mobile payment, or a paper check. Many people use a checking account to pay for day-to-day expenses.

Before you open a bank account, you'll want to think about a few things:

- What kind of account will be best for me?
- What fees will the bank charge, and how much are those fees?
- Will the bank pay me interest on my balance?
- Where is the bank located—is it near my home or school?
- What do I need to open an account—such as an ID, Social Security number, or an adult's signature?

## Bonus!

**Interest** is a fee paid for the use of money—adding even more to your balance!

How much interest would you earn if the bank paid 3% on a balance of \$300?

$$0.03 \times \$300 = \underline{\hspace{2cm}}$$

On a balance of \$475?

$$0.03 \times \$475 = \underline{\hspace{2cm}}$$



## Cool Fact

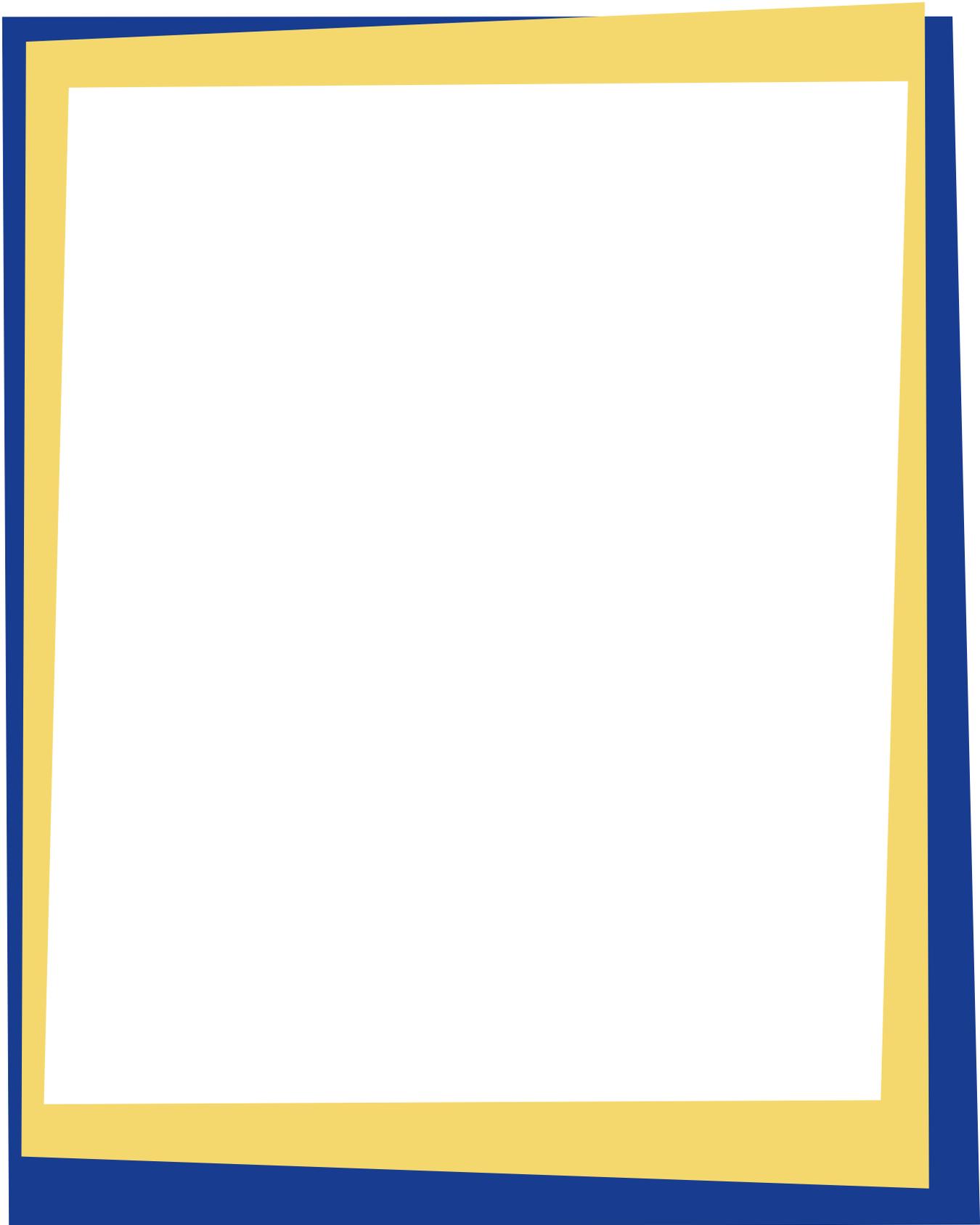
Time = money. Did you know that when money is earning interest, you can use the "Rule of 72" to figure out how long it will take to double the money? Divide 72 by the bank's interest rate. At 6% interest, the money will double in 12 years ( $72/6 = 12$  years)

## Glossary

<b>Account</b>	An arrangement with a bank: the bank holds your money and you can take it out when you need it
<b>Balance</b>	The amount of money you have in your bank account
<b>Bank</b>	A place to put money for safekeeping
<b>Deposit</b>	Putting money into a bank account
<b>Withdrawal</b>	Taking money out of a bank account
<b>Interest</b>	A fee paid for the use of money

# DREAM BOARD

**T**hink of a goal you'd like to save for. Paste or draw pictures or quotes that show your future savings dream goal.



# 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 reach my goal, I must figure out

1. How much do I need to save?      \$ \_\_\_\_\_

2. How much do I have now?      \$ \_\_\_\_\_

3. How much more do I need?      \$ \_\_\_\_\_  
(Subtract the amount you have from the amount you need to save)

If I save...	I will reach my goal in this many weeks
\$2 a week	
\$5 a week	
\$10 a week	
\$15 a week	

# ways to pay

Any time you pay for something—for example, when you buy a movie ticket or download an app—you have to decide what form of payment to use. It's important to understand the costs and benefits of each form of payment so that you can make a smart choice about which one to use.

- **Cash** is money (dollar bills and coins).



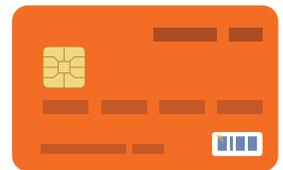
- A **check** is a paper form of payment that is used to transfer money from your checking account to a person or company. A check tells the bank who to pay, how much, and which account the money should be withdrawn from. If you write a check for more money than you have, the bank will likely charge you a fee.



- A **debit card** subtracts (debits) money from your checking account. Debit cards can be used at a store or online. As with checks, you must be careful not to spend more money than you have in your account.

- A **prepaid card** is loaded with a specific amount of money. It is not linked to a checking or credit account. The advantage of prepaid cards is that you can't spend more money than you have.

- A **credit card** is like a personal loan; it isn't free money.



You use a credit card to make purchases, and then you pay your balance at the end of the month. If you don't pay your balance in full each month, you will have to pay interest. Interest is based on a percentage of your balance and adds to your **debt**.

- **Mobile payment apps** such as PayPal, Venmo, Zelle, Square Cash, Google Wallet, and Apple Pay are linked to a checking or credit card account.



Whenever you use a debit or credit card, make sure to protect it just as you would cash. Your card is only for you to use—don't give your card or your account number to anyone else.

However you choose to pay, you should keep track of all of your purchases and withdrawals. You can use your bank's website and mobile apps to check your balance often. There are also plenty of free apps that help you keep track of your spending and savings.



## Let's Talk about it

What types of payments have you used? Can you think of any advantages or disadvantages of each type of payment?

Write your answer on page 16.

## Glossary

**Debt** The amount of money that you owe

**E**veryone has a limited amount of money to spend. That's why we have to make choices about how to spend the money we 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, water, and clothes. These are things we absolutely can't do without.

Other things are nice to have, but aren't necessary to survive, such as apps, candy, concert tickets, or a phone. We can do without these things, even though we might not want to.

I want it!

I NEED IT!

**Let's  
Talk  
about it**

How did you decide which needs and wants were important?

Write your answer on page 16.

**What Are Your Needs and Wants?**

First, write down five things that you need to survive and five things that you want, but could survive without. Next, rank the importance of each thing. Number them from 1 (most important) to 5 (least important).

Things I Need	Importance to Me (1-5)	Things I Want	Importance to Me (1-5)

**Glossary**

- Needs** Things that are necessary to survive
- Wants** Things that are nice to have, but aren't necessary to survive

# SPENDING: WHAT'S THE REAL COST?

**A**t the beginning of this book, we talked about choices. When you make a choice, you have to give up one thing, like time or money, to get another thing that you want or need more. We called the thing you give up a “cost,” but there is another way to think about it.

When you choose to spend your time or money on one thing, you give up the opportunity to spend it on another thing. The other thing that you give up—your second-best choice—is called your **opportunity cost**.

Thinking about the cost of something in terms of opportunity cost can help you make choices because you have to think hard about what you are giving up.

## This or that

You received \$80 as a birthday present. Circle one item from each row that you would choose to spend your money on. Remember, there is no right or wrong answer.

The item you don't circle—what you give up—is your opportunity cost.

## This or That

\$5 on **candy** or \$5 on a **small toy**

\$10 on **earbuds** or \$10 on a **donation to a charity**

\$10 on a **new phone case** or \$10 on a **new book**

\$15 on a **movie** or \$15 on **phone apps**

\$15 on a **t-shirt** or \$15 on a **new game**

\$25 on **new shoes** or \$25 on **new jeans**



## Glossary

**Opportunity Cost** The thing that you give up in order to choose something else

# BUDGET BASICS

ALLOWANCE \$10/WK  
WALK DOG  
4 X \$5 = \$20

**A budget** is a plan that balances money coming in (income) with money going out (expenses). Your expenses should not exceed your income.

To make a budget, first add up all of your **income**—the money you receive from work, an allowance, or even birthday and holiday gifts. 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 spend money on, but you know you can't have everything you want. It's important to think about the costs and benefits of each expense and decide which ones are most important to you.

Here's an example: Lin gets an allowance of \$10 per week for doing household chores. She also walks her neighbor's dog before and after school four days a week, earning \$5 a day.

**On the next page, use Lin's budget worksheet to figure out her total income for this week.**

Lin 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 things she might buy:

**Supplies for school assignment \$8**

**Trip to the movies \$14**

**Bus fare \$10**

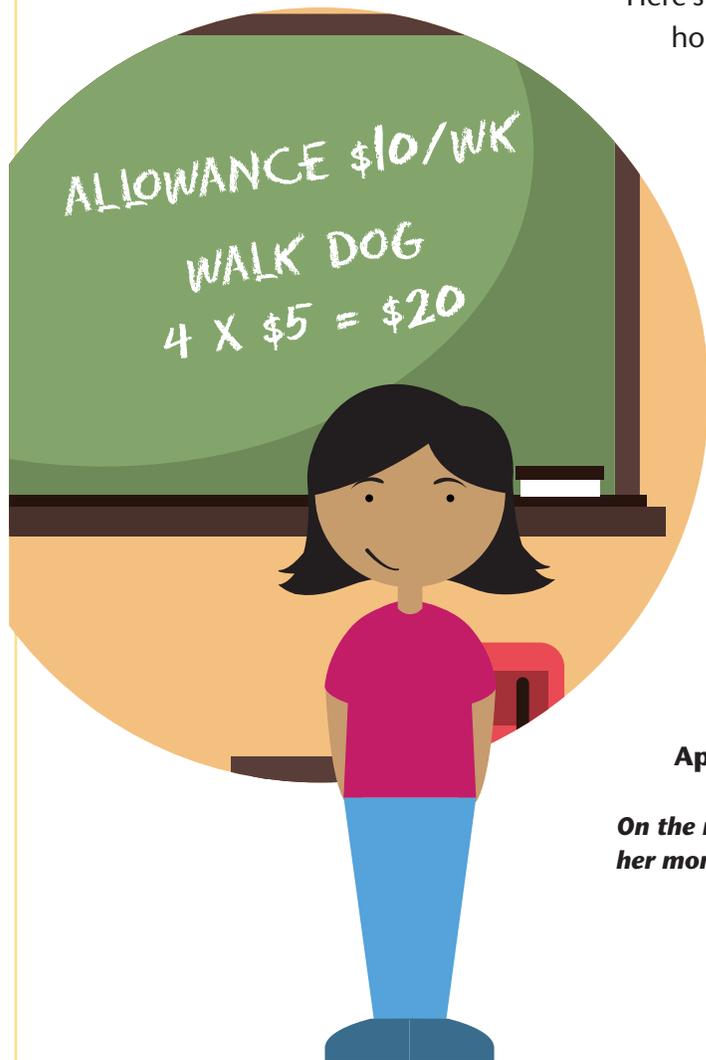
**Donation to the local food pantry \$5**

**Birthday gift \$5**

**Candy and gum \$4**

**Apps/music \$10**

**On the next page, use Lin's budget worksheet to figure out how she will spend her money. Remember, Lin would like to have money left over to save.**



## Glossary

**Budget** A plan that balances income with expenses

**Expenses** Money that you spend

**Income** Money that you receive

# Lin's BUDGET WORKSHEET



Income		Expenses	
Sources	Amount (\$)	Items (things Lin might buy)	Amount (\$)
	Total =		Total =

**Let's  
Talk  
about it**

Do you have a budget?  
What expenses or savings  
does it include?

Write your answer  
on page 16.

How did you decide how Lin would spend her money?

\_\_\_\_\_

\_\_\_\_\_

How much is left over for savings?

Income total minus expense total = \$ \_\_\_\_\_

# Make YOUR OWN BUDGET

**N**ow that you understand the basics of budgeting, it's time to create your own budget.

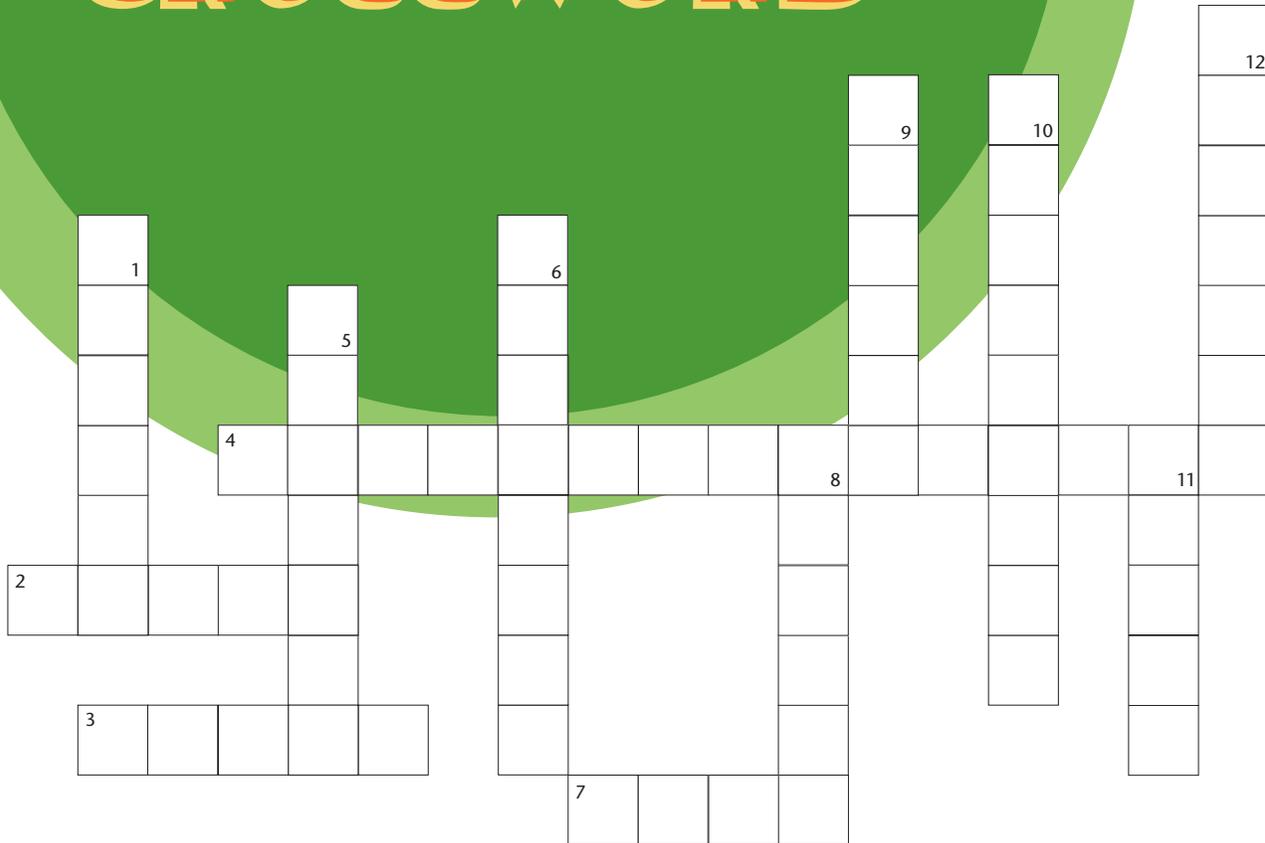
First, write down all of your sources of income, including money you earn (from babysitting or mowing lawns, for example), any allowance you receive, and birthday or holiday gifts.

Next, write down how you plan to spend your income. What expenses will you have each month? Is there any money left in your budget for saving or giving away?

Income		Expenses	
Sources	Amount (\$)	Items	Amount (\$)
	Total =		Total =

If your expenses add up to more than your income, you'll have to choose which expenses are most important. What is the opportunity cost of each expense—what will you have to give up to pay for it? You'll also have to think about which expenses are necessary (needs) and which are not (wants).

# MONEY CROSSWORD



## Across

2. Things that are necessary to survive
3. Things that are nice to have, but aren't necessary to survive
4. The thing you give up in order to choose something else
7. To put money aside to use later

## Down

1. One of several options that you pick
5. Putting money into a bank account
6. The idea that resources are limited
8. Money that you earn or receive
9. A plan that balances income with expenses
10. A form of electronic payment linked to your checking account
11. To use money to buy things
12. What you gain when you make a choice

# Let's talk about it

On this page, write your answers to the **Let's Talk About It** questions throughout this book.

## **You Decide** (page 1)

Name one choice that you made today: \_\_\_\_\_

What were the costs and benefits of that choice? *Costs:* \_\_\_\_\_ *Benefits:* \_\_\_\_\_

## **Learn to Earn** (page 3)

Have you ever had a job? \_\_\_\_\_

How much money did you earn? \_\_\_\_\_

## **Saving: Money in the Bank** (page 5)

Did you ever save money for something special? \_\_\_\_\_

## **Ways to Pay** (page 9)

What types of payments have you used? \_\_\_\_\_

Can you think of any advantages or disadvantages of each type of payment? \_\_\_\_\_

## **I Want It! I Need It!** (page 10)

How did you decide which needs and wants were important? \_\_\_\_\_

## **Lin's Budget Worksheet** (page 13)

Do you have a budget? \_\_\_\_\_

What expenses or savings does it include? \_\_\_\_\_

# Learn MORE

## Keep on learning about money!

Use the links on this page to learn more about the topics introduced in this book.

Go to the Great Minds Think page on [clevelandfed.org/learningcenter](http://clevelandfed.org/learningcenter) for direct links to the websites listed below.

### Learn about jobs, income, and earnings

**The US Bureau of Labor Statistics has information on education, careers, and pay:** [bls.gov](http://bls.gov)

To explore different career opportunities: *click on students, student resources, career exploration*

To access the Occupational Outlook Handbook: *click on publications, occupational outlook handbook*

**The US Department of Labor has Career One Stop:** [careeronestop.org](http://careeronestop.org)

Explore careers: *click on explore careers*

Take a self assessment: *click on explore careers, self assessments*

Plan your career: *click on explore careers, plan your career*

### Practice with games, activities, and videos

**The Council for Economic Education has tools on money, budgeting, and more:** [econedlink.org/tools/1](http://econedlink.org/tools/1)

Explore resources: *search by concept, grade, and activity type*

**The Federal Reserve Bank of Cleveland:** [clevelandfed.org/learningcenter/teach](http://clevelandfed.org/learningcenter/teach)

Experience interactive games: *Barter Island, Money of the World, Money Word Search, Domestic Money*

Watch videos: *Panic of 1907, Money Visions*

**JumpStart:** [jumpstart.org](http://jumpstart.org)

See different lifestyle costs: *click on resources, reality check*

**The Federal Financial Literacy and Education Committee:** [mymoney.gov](http://mymoney.gov)

Explore tools on money, saving, and financial planning: *click youth at the bottom of the page*

### Take your learning to the next level

**The Federal Reserve System Economic Education:** [federalreserveeducation.org](http://federalreserveeducation.org)

Discover hundreds of personal finance and economics lessons, tools, videos, and other resources





# Great Minds THiNK



## A New GUIDE TO MONEY

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#### Money crossword answers

12. benefit
11. spend
10. debit card
9. budget
8. income
7. save
6. scarcity
5. deposit
4. opportunity cost
3. wants
2. needs
1. choice

