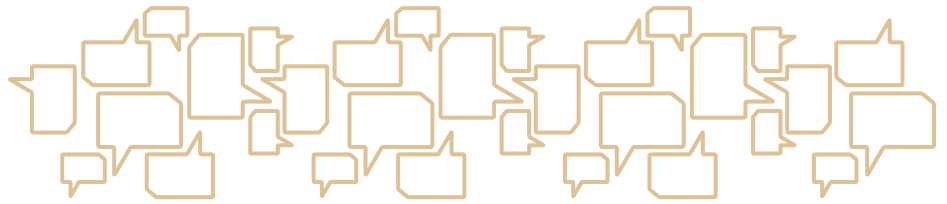


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Schwab MoneyWise™ Workshop for Teens and Young Adults



Participant Handouts October 2008



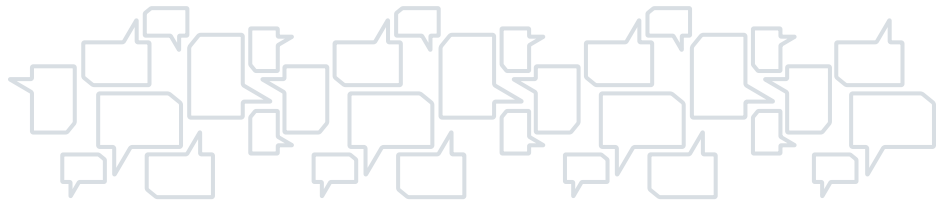
Schwab MoneyWise™ Workshop for Teens and Young Adults is the result of a collaboration between Charles Schwab Foundation and Boys & Girls Clubs of America. In 2003, Charles Schwab Foundation partnered with Boys & Girls Clubs of America to create Money Matters: Make It CountSM, a program for teaching Club teens about the basics of money management.

Due to the success of that program, we created Schwab MoneyWise Workshop for Teens and Young Adults to make some of those important lessons and financial strategies available to you.

Charles Schwab Foundation is proud to support Boys & Girls Clubs of America. For more information about Boys & Girls Clubs of America or to find a Club near you, please visit www.bgca.org.



Money Matters is a trademark of Boys & Girls Clubs of America



Handout 1: Identifying Your Personal Goals


SMART goals are **S**pecific, **M**easurable, **A**chievable, **R**elevant and **T**rackable.

Name one of your personal, educational, financial or career goals. Then break it into long-term, medium-term and short-term actions you can take to reach that bigger goal. Write your linked goals in the spaces below.


Short-, medium- and long-term goals are very different. If you link them together, you have a better chance of achieving them. For example, if your long-term career goal is to be a veterinarian, but you do not have any experience working with animals:

- A long-term goal would be to go to veterinary school.
- A medium-term goal might be to volunteer at an animal hospital.
- A short-term goal might be to get a pet, or offer to walk your neighbor's dog or pet-sit while they are on vacation.


Long-term goal (3–5 years):

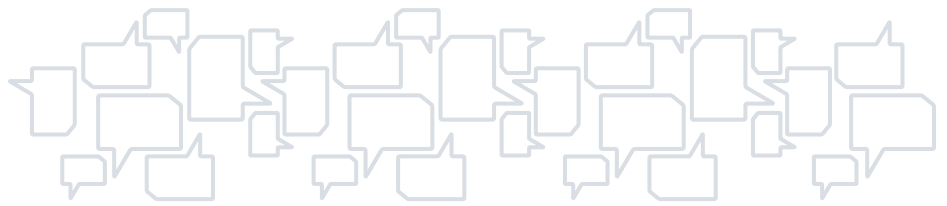
 _____

Medium-term goal (3 months–3 years):

 _____

Short-term goal (1 week–3 months):

 _____



Handout 2: The True Cost of Buying on Credit

Learn to use credit wisely or it can cost you plenty.

Unfortunately, consumers can easily become enslaved to credit card companies all of their lives and never get out of debt. Studies by Nellie Mae found that young people are particularly at high risk and are often targeted by credit card companies that offer unfavorable terms such as high interest rates and fees. Here are three examples of why credit can be risky and how long it can take to pay off even relatively small amounts.

Think of a product you want that costs \$300 and write it in the box below.

1. Let's say you decide to charge it and you buy that \$300 item with a credit card.

If the credit card company charges you 18% interest on an annual percentage rate (APR) and you make payments of \$15 each month:

Q: How long will it take you to pay off the balance in full?

A: It will take 24 months (or two years) to pay off the balance in full.

Q: How much will you actually wind up paying for the \$300 item?

A: You'll pay \$354 total. That's \$54 more than if you had paid cash or paid off this credit card purchase in full and on time, before interest was charged.

2. Now let's say you have a beginning balance of \$1,000 on your credit card.

The credit card company charges an interest rate of 18% APR and requires you to send a minimum payment of at least \$15 each month:

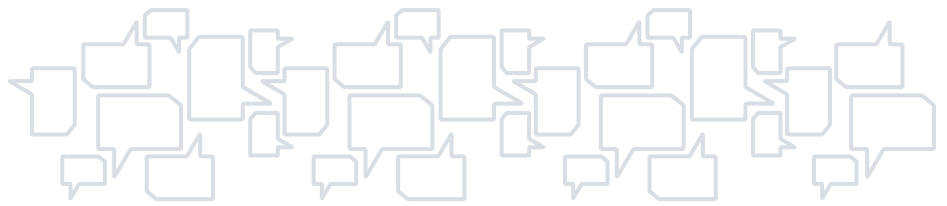
Q: If you do not charge any more on that credit card and send in no more than the minimum payment requested by the credit card company, how long will it take to pay off the balance in full?

A: It will take more than 15 years to pay off the balance in full, and you'll spend \$1,830 on interest alone. However, if you pay \$200 per month and don't charge any more on your credit card, you will have the balance paid off in 6 months.

3. Let's increase the beginning balance to \$5,000.

If you pay \$15 per month, you'll never pay off the credit card. The interest on the first month alone would be \$69 and it would increase each month. Now, if you pay \$200 per month, it will take 2½ years to pay off the debt and you'll pay an additional \$1,184 in interest.

Examples provided by the Schwab Center for Financial Research.



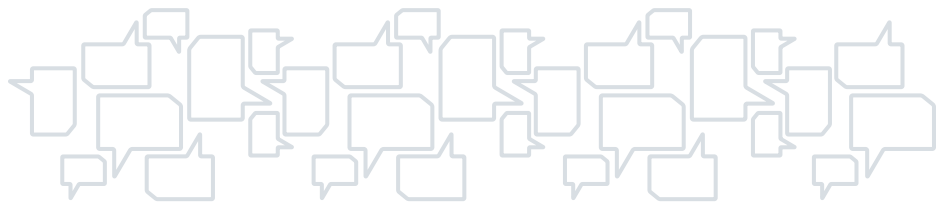
Handout 3: Two Magic Pennies (The Power of Compounding)

What if you had two magic pennies
and every day they multiplied by two?

Day 1	\$0.02
Day 2	\$0.04
Day 3	\$0.08
Day 4	\$0.16
Day 5	\$0.32
Day 6	\$0.64
Day 7	\$1.28



Day 20	\$10,486
Day 28	\$2,684,355
Day 29	\$5,368,709
Day 30	\$10,737,418
Day 31	\$21,474,836



Handout 4-A: Calculating Compound Interest

By taking advantage of compound interest, you can end up with significantly more than your original savings and be on your way to realizing your long-term financial goals. It's one reason a savings account is better than keeping it "under your mattress."

Hypothetical Situation:

Let's say that a relative has just given you \$1,000 as a gift. You decide to put it in a savings account that earns 5% interest annually. And you are dedicated to keeping every cent in the account for the next 10 years.

With compound interest, you earn interest on the whole amount in your account, not just on the initial savings. That means your interest earns interest, too!

Calculate the interest for each year and fill in the blanks.

Year 1: Your initial balance of \$1,000.00 + (\$1,000.00 x .05) = \$1,050.00

Year 2: Beginning balance of \$1,050.00 + (\$1,050.00 x .05) = \$1,102.50

Year 3: Beginning balance \$ _____ + (\$ _____ x .05) = \$ _____

Year 4: Beginning balance \$ _____ + (\$ _____ x .05) = \$ _____

Year 5: Beginning balance \$ _____ + (\$ _____ x .05) = \$ _____

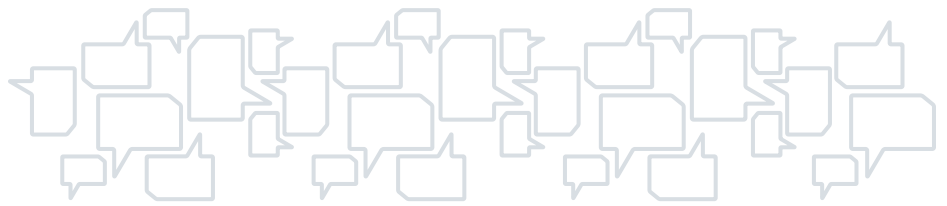
Year 6: Beginning balance \$ _____ + (\$ _____ x .05) = \$ _____

Year 7: Beginning balance \$ _____ + (\$ _____ x .05) = \$ _____

Year 8: Beginning balance \$ _____ + (\$ _____ x .05) = \$ _____

Year 9: Beginning balance \$ _____ + (\$ _____ x .05) = \$ _____

Year 10: Beginning balance \$ _____ + (\$ _____ x .05) = \$ _____



Handout 4-B: Answers for Calculating Compound Interest

Hypothetical Situation:

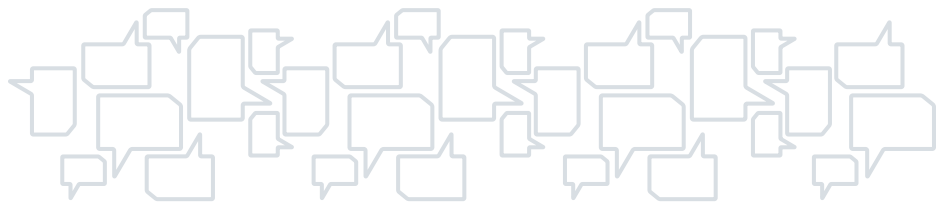
Let's say that a relative has just given you \$1,000 as a gift. You decide to put it in a savings account that earns 5% interest annually. And you are dedicated to keeping every cent in the account for the next 10 years.

With compound interest, you earn interest on the whole amount in your account, not just the initial savings. That means your interest earns interest, too!

Calculate the interest for each year and fill in the blanks.

Year 1: Your initial balance	\$1,000.00	+ (\$1,000.00 x .05)	= \$1,050.00
Year 2: Beginning balance	\$1,050.00	+ (\$1,050.00 x .05)	= \$1,102.50
Year 3: Beginning balance	\$1,102.50	+ (\$1,102.50 x .05)	= \$1,157.62
Year 4: Beginning balance	\$1,157.62	+ (\$1,157.62 x .05)	= \$1,215.50
Year 5: Beginning balance	\$1,215.50	+ (\$1,215.50 x .05)	= \$1,276.27
Year 6: Beginning balance	\$1,276.27	+ (\$1,276.27 x .05)	= \$1,340.08
Year 7: Beginning balance	\$1,340.08	+ (\$1,340.08 x .05)	= \$1,407.08
Year 8: Beginning balance	\$1,407.08	+ (\$1,407.08 x .05)	= \$1,477.43
Year 9: Beginning balance	\$1,477.43	+ (\$1,477.43 x .05)	= \$1,551.30
Year 10: Beginning balance	\$1,551.30	+ (\$1,551.30 x .05)	= \$1,628.87

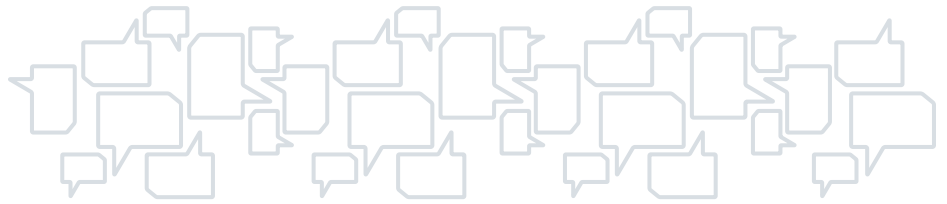
After 10 years, you would have an extra \$628.87 by letting your money work for you.



Handout 5: The Impact of Time on the Value of Money


Starting Early		Starting Later		A Lifetime of Investing	
Age	Invested	Age	Invested	Age	Invested
16	\$1,000			16	\$1,000
17	\$1,000			17	\$1,000
18	\$1,000			18	\$1,000
19	\$1,000			19	\$1,000
20	\$1,000			20	\$1,000
21	\$1,000			21	\$1,000
22	\$1,000			22	\$1,000
23	\$1,000			23	\$1,000
24	\$1,000			24	\$1,000
25	\$1,000			25	\$1,000
		26	\$1,000	26	\$1,000
		27	\$1,000	27	\$1,000
		28	\$1,000	28	\$1,000
		29	\$1,000	29	\$1,000
		30	\$1,000	30	\$1,000
		31	\$1,000	31	\$1,000
		32	\$1,000	32	\$1,000
		33	\$1,000	33	\$1,000
		34	\$1,000	34	\$1,000
		35	\$1,000	35	\$1,000
		36	\$1,000	36	\$1,000
		37	\$1,000	37	\$1,000
		38	\$1,000	38	\$1,000
		39	\$1,000	39	\$1,000
		40	\$1,000	40	\$1,000
		41	\$1,000	41	\$1,000
		42	\$1,000	42	\$1,000
		43	\$1,000	43	\$1,000
		44	\$1,000	44	\$1,000
		45	\$1,000	45	\$1,000
		46	\$1,000	46	\$1,000
		47	\$1,000	47	\$1,000
		48	\$1,000	48	\$1,000
		49	\$1,000	49	\$1,000
		50	\$1,000	50	\$1,000
Total invested: \$10,000		Total invested: \$25,000		Total invested: \$35,000	
Amount available by age 50:		Amount available by age 50:		Amount available by age 50:	
\$131,010		\$84,701		\$215,711	

Source: Adapted with permission from National Endowment for Financial Education. These investing examples assume a consistent annual 9% rate of return with \$1,000 contributions made at the beginning of each year. The amounts shown for investment growth and final results do not consider any transaction costs, fees or taxes. This hypothetical example of compounding growth is for illustrative purposes only and is in no way to be considered indicative of any guaranteed performance an investor can expect to achieve. Making regular investments does not assure profits and does not protect against losses in declining markets.

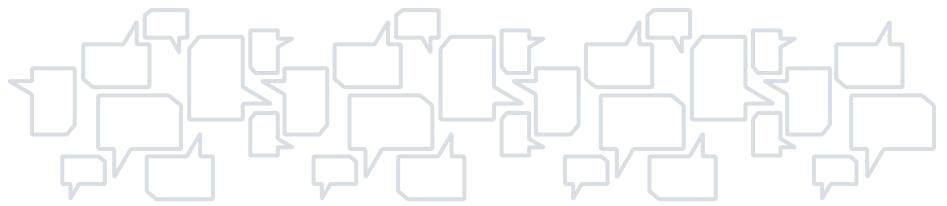


Handout 6-A: Investment Word Match Game

Match each term in column A with its definition in column B.

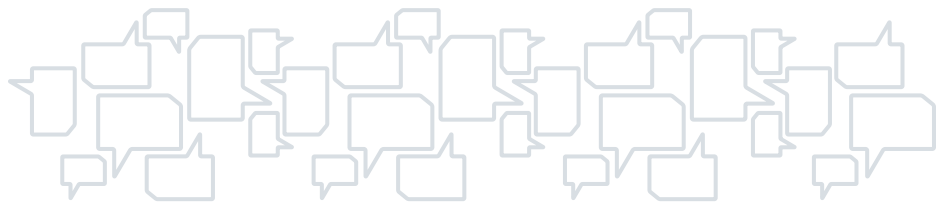
 You may either draw arrows to connect the term with the correct definition, or write the letter of the answer in column B, next to the word in column A.

Column A	Column B
1. Interest	A. Represents ownership in a company.
2. Compound interest	B. Pools money from several investors and uses the money to buy various types of investments.
3. Stock	C. The act of putting aside some of today's income for tomorrow's needs and wants.
4. Mutual fund	D. The interest that you earn also earns interest.
5. Saving	E. What you earn when you keep money in a savings account.
6. Bonds	F. Loans issued to the government or a corporation.



Handout 6-B: Answers to Investment Word Match Game

Answers	Completed Sentences
1. E	Interest is what you earn when you keep money in a savings account.
2. D	Compound interest means the interest that you earn also earns interest.
3. A	A stock represents ownership in a company.
4. B	A mutual fund pools money from several investors and uses the money to buy various types of investments.
5. C	Saving is the act of putting aside some of today's income for tomorrow's needs and wants.
6. F	Bonds are loans issued to the government or a corporation.



Handout 7: Recap of Schwab MoneyWise™ Workshop

This is a summary of the key points we talked about today.

We'll fill in the blanks together as a group to complete the statements below:

➤ Personal _____ setting is the first step in managing your money.

➤ One of the keys to creating a realistic budget is being able to distinguish items you really _____ from those you _____.

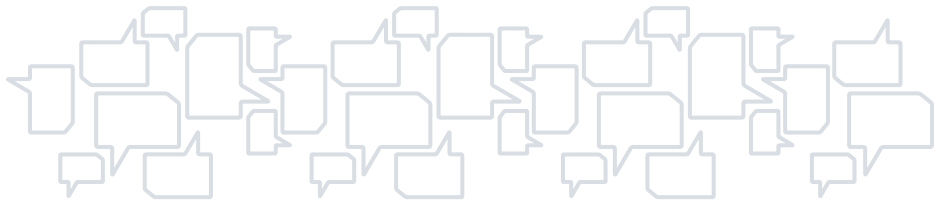
➤ The only right way to use credit is to _____ each month before being charged interest or a fee. Otherwise, you cannot really afford credit.

➤ Start saving and investing as soon as you can. You're young and the power of _____ interest will help you build a strong financial portfolio.

➤ Pay _____ first. Save some money from each paycheck, your allowance or gift of money you receive—before you spend it—and you'll be able to work toward your long-term goals.

➤ Unlike emergency funds or short-term savings, investing is for the _____ term. That means you should plan to invest money that you won't need for at least five to 10 years or more.

➤ Diversify, diversify, _____. When you invest, look for a variety of investment vehicles to help you ride out the ups and downs of the market. You'll want to consider popular stock market investments such as stocks, bonds and mutual funds including index funds.



Handout 8: My Next Steps

One thing I learned today that I can put into action within the next few weeks is to:



Before this workshop, when I thought about managing my money, I thought or felt:



And now I think:



**Talk with your parents or guardians about money and what you learned today.
For more resources, visit SchwabMoneyWise.com.**

