



JA PRESENTS:

# ESSENTIAL PERSONAL FINANCE™



# INTRODUCTION

It's true that money doesn't grow on trees, but when you start a family, it is in some ways like planting a grove of trees. One tree might symbolize your family's health, another your relationships, and another your finances. How healthy each tree becomes and how much fruit it bears depends on the conditions that surround it, the attention it is given, and the health of the other trees in your family grove.

There are special tree surgeons, known as arborists, who understand the science and art of caring for trees. You are the tree surgeon working on your financial tree, you have an important and complex responsibility. You must figure out how to live today while preparing for tomorrow. If your tree starts to look a bit down, you have to determine how to tend it in real time as you earn money, pay bills, and decide when and how to spend and save.

- 1. Build Your Savings: The Roots**
- 2. Stick to a Budget: The Trunk and Branches**
- 3. Monitor Your Credit Score: The Rings**
- 4. Manage Your Debt: Pruning The Tree**



Use this QR Code to access the links at the back of this brochure.

<https://sites.google.com/ja.org/essential-personal-finance/home>

**JA Presents: Essential Personal Finance**

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Colorado Springs, Colorado



## Essential Personal Finance

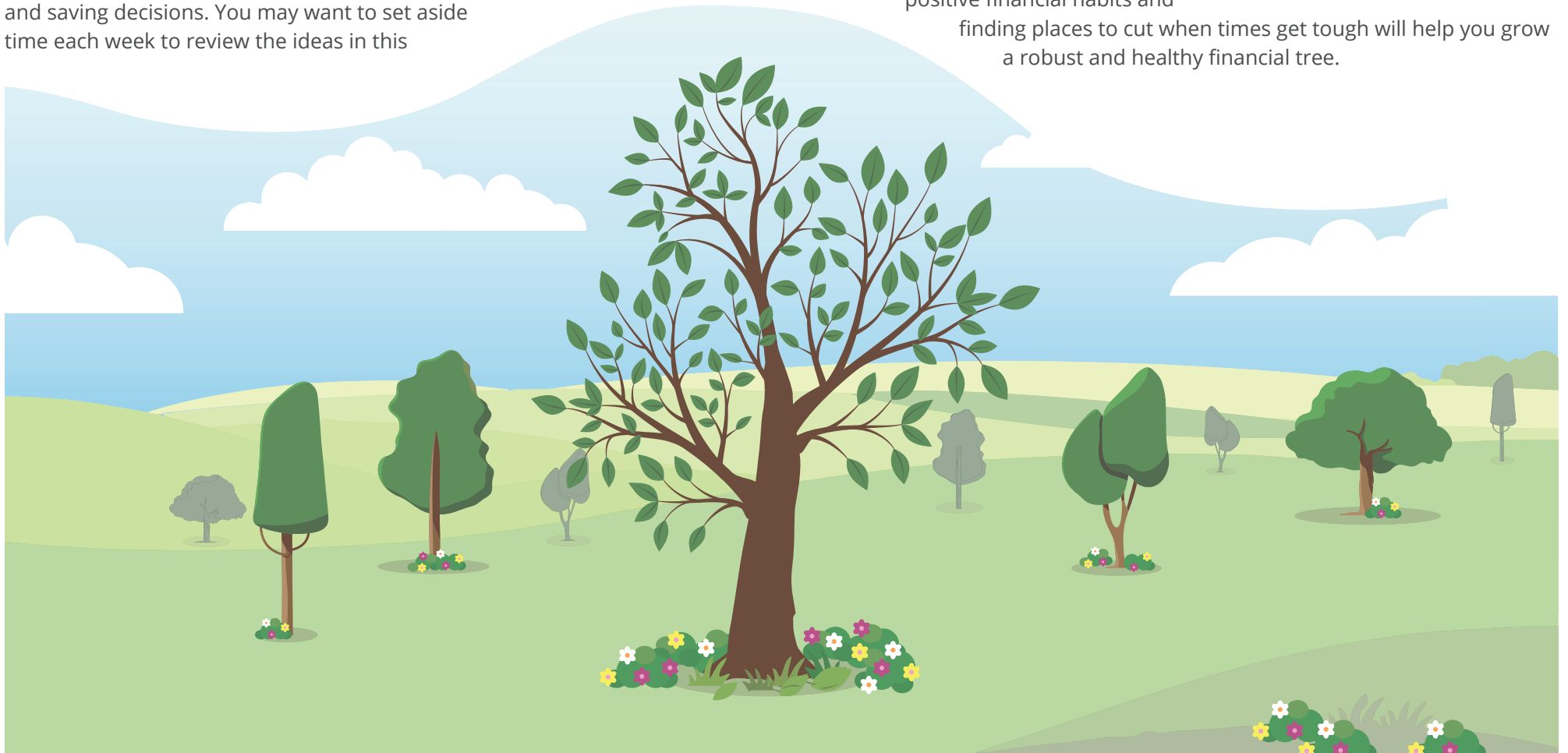
This is a quick start guide to personal finances. It explains four actions that you and your family can work on together to encourage healthy finances.

Each section includes a short discussion followed by a **Q & A** and a **Grow It Together!** family activity. At the end of the pamphlet, you will find additional resources, and links to more fun activities to share.

Get ready to take your first step! For your financial tree to grow to its full potential, the whole family must commit to new spending and saving decisions. You may want to set aside time each week to review the ideas in this

pamphlet and to measure your family's progress. If you are consistent in caring for your finances, you will soon be able to use that time to celebrate as you reach financial goals!

Just like growing a tree, improving your finances takes time and patience. Consistently practicing positive financial habits and finding places to cut when times get tough will help you grow a robust and healthy financial tree.



# 1 BUILD YOUR SAVINGS

## The Roots

The roots provide the stability of a tree. Tiny root hairs absorb nutrients from the soil and enable the root system to expand and tie the tree to a firm foundation. In a similar way, building up ample savings will give you more stability to weather storms and to increase your reach in new directions. Saving small amounts here and there will allow you to earn interest and invest your savings wisely so that your finances continues to grow.

Beginning a savings habit can be a big challenge, but in the long run your savings will help you reach big goals, like moving to a new home, replacing an aging refrigerator, or training for a fulfilling career. Having a solid foundation of three to six months of household expenses in savings will also allow you to weather the unhappy surprises that happen to everyone, like car repairs and unexpected medical bills. Instead, if you have to borrow money to pay for these storms, you may end up **paying interest** to your

lender. On the other hand, if you keep money in savings, you will **earn interest** as the bank makes use of your money while you are not using it.



**Q:** How can I start building up savings?

**A:** Pay Yourself First, or PYF, by putting money into savings every payday before any other spending.

**Q:** Why is it so important to save?

**A:** Saying “no” to little things today means you can save up for the bigger things that will make your life better in the future. Also, an emergency fund helps you avoid borrowing money that costs you interest.

**Q:** How can I save three to six months of expenses?

**A:** Like any goal, saving takes repeating the right habits over time. PYF! Start small and build. Save \$1 this week, \$2 next week, and keep adding! Look for creative ways to cut spending and increase earnings.

**Q:** Where should I save money?

**A:** Save where you will earn the most interest; do your research because not all savings accounts are the same. Keep the money where you can quickly access it in an emergency, but where it is not easy to spend without thinking carefully.



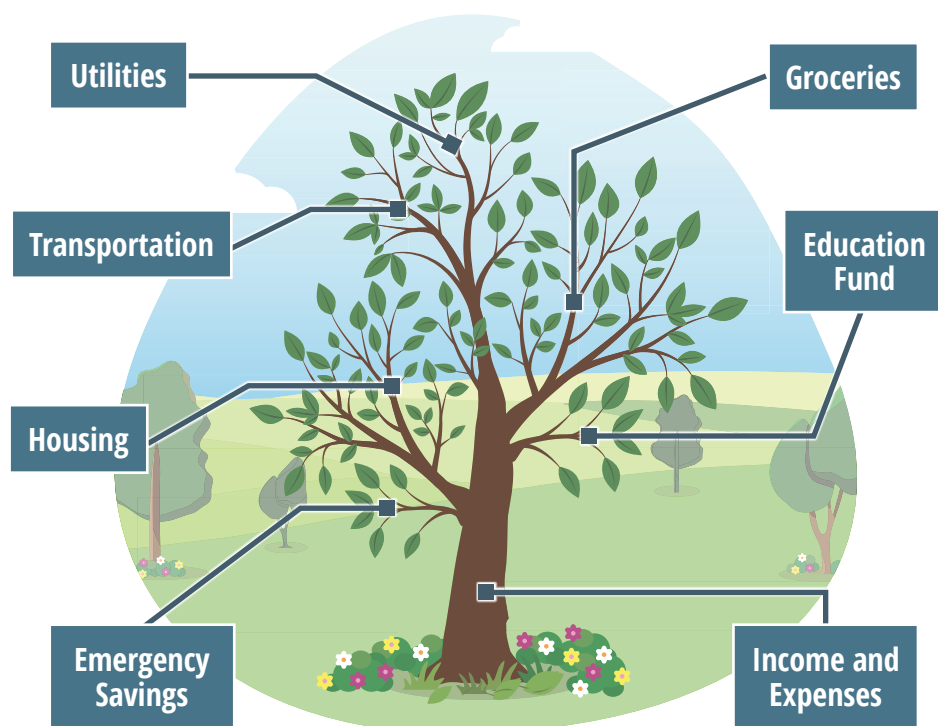
### Grow It Together!

Watch **Save Like Mike** <https://www.youtube.com/watch?v=kZcUAcbtH5M> and talk about where you might find extra money in your budget to save.

## 2 STICK TO A BUDGET

### The Trunk and Branches

The trunk of a tree both lengthens and expands as the tree grows in search of moisture and sunlight. It supports all the branches, and its bark shields the tree from extreme temperatures, insects, and fungi. Similarly, a budget is central to your financial stability, and it enables you to grow in many directions while keeping you protected from potential problems.



Every dollar you spend on one thing is a dollar you no longer have to spend on something else. That's why it is important to track your money, so you know that you are spending it on the things that are most important to you. Your budget is an important tool for planning and tracking your income and expenses. The second thing you can do to grow a healthy financial tree is to create and stick to a budget that will help you reach your short-term and long-term financial goals.

**Q:** Why should my family create and follow a budget?

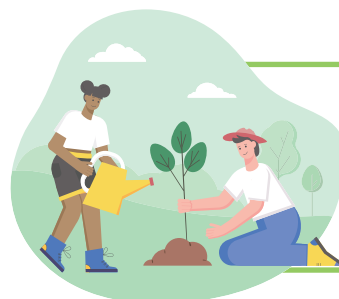
**A:** A budget gives you control over how you spend and save money because it makes it easy to think about which expenses are most important to you and which ones you can do without.

**Q:** Why should we track all the money we spend?

**A:** Tracking shows you what you spend money on and how small things add up over time. As you track, you can choose to spend less than planned in one category if you know you have spent more than expected in another. That way you stay on budget.

**Q:** How do I start a budget?

**A:** To get started, list all your sources of income and all your categories of expenses. Next, track your income and spending habits for a month. Then, decide how much of your income you want to save and to spend in each category every month. Don't forget to PYF! Once your budget is set, track your money consistently to monitor spending habits. Be sure to track all your expenses, whether it is something you buy with cash, check, or credit card. Monitor and adjust what you spend in each category, and make sure you spend according to your priorities. Save whatever you can!



### Grow It Together!

Practice building a budget using the **JA Budgeting Tool!** <https://connect.ja.org/financial-literacy/ja-budgeting-tool>



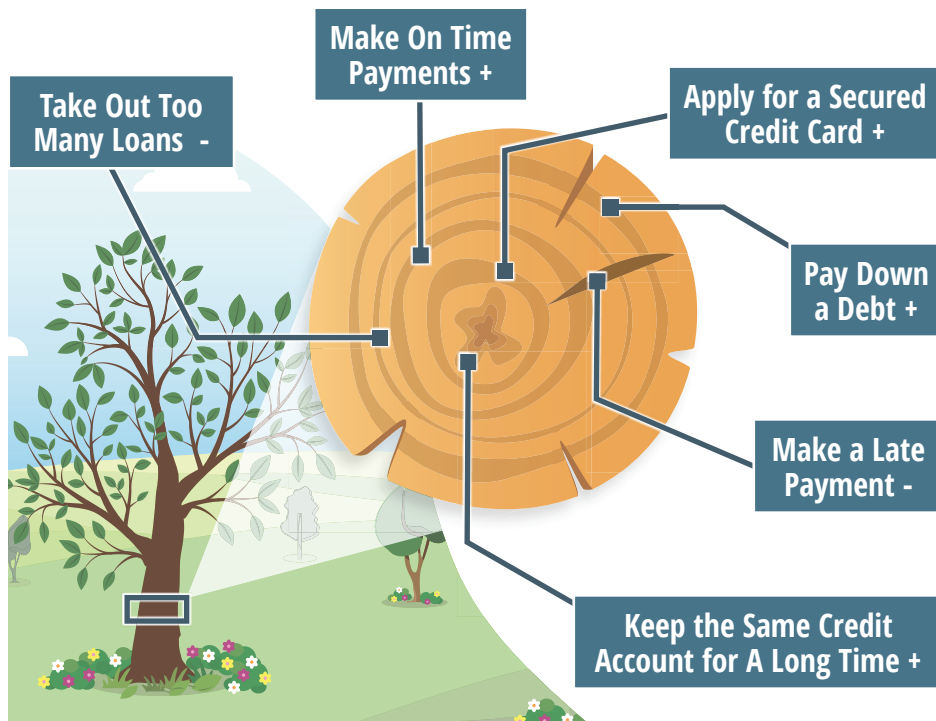
# 3

## MONITOR YOUR CREDIT SCORE

### The Rings

A cross section of a tree trunk shows rings that provide a history of all that the tree has weathered. Similarly, a credit score is a snapshot of your credit history displaying a record of the financial decisions you have made. Your score, typically between 200 and 850, is calculated based on your payment history, how much you owe, the length of your credit history, the types of accounts you have, and recent credit activity. The score goes up and down over time as new financial decisions are made.

Having credit means you can buy something now and pay for it later. You need a strong credit score in order to reach long-term goals like buying a house or starting a business. When you apply for a loan, the lender uses the credit score to understand how likely you are to repay the loan. In addition to borrowing money, your credit score may affect you in other ways. Monitor your credit score so you can build strong rings within your financial tree.



### Q: Why should I use credit?

**A:** Credit allows you to make large purchases that are difficult to save for. Using credit wisely helps you earn a high credit score. Many people like lenders, potential employers, and property owners may use your credit score to make decisions that affect you.



### Q: What are some of the risks of using credit?

**A:** Credit makes it easier to make impulse purchases you can't afford. The terms and conditions of credit offers can be complicated, making it easy to agree to something you don't want. So, use credit with care.

### Q: What can I do to raise my credit score?

**A:** Use credit regularly, and avoid late payments. Pay off the entire balance each month, if possible, or at least always pay more than the required minimum payment. Keep the same credit card for a long time. Consider traditional lenders like banks and major credit card companies who report your progress, instead of non-traditional lenders like pawn shops who do not. Do not apply for too many credit cards or loans. Always borrow less than your credit maximum.



### Grow It Together!

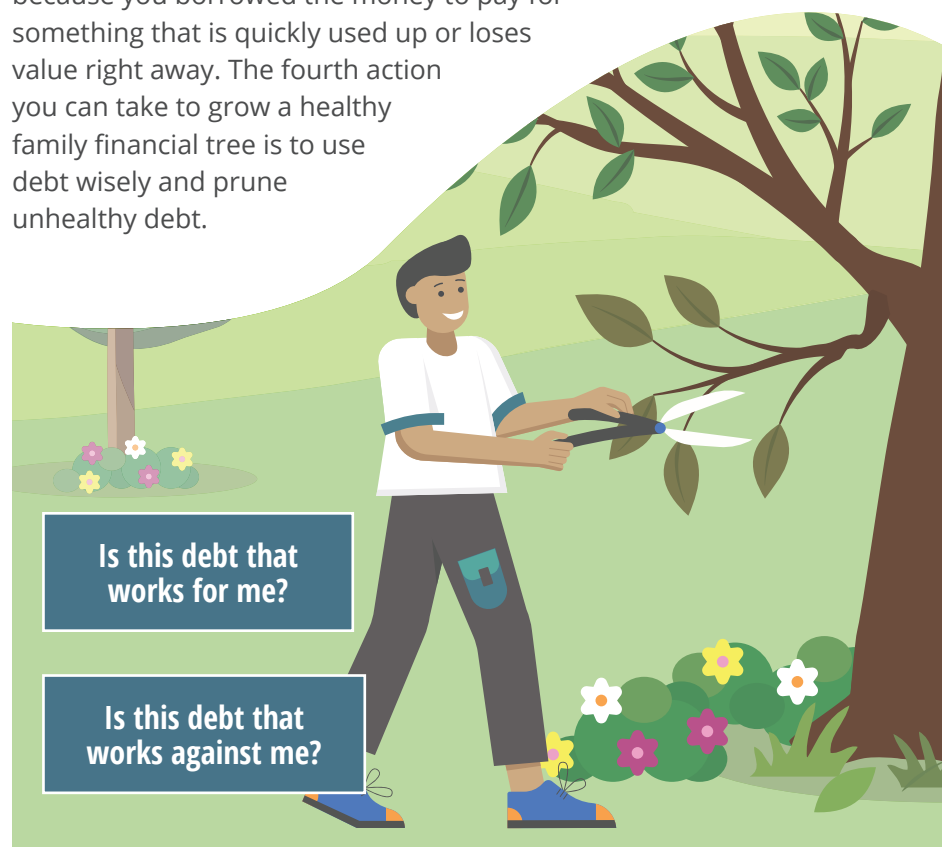
Play **The Credit Score Game** developed by the Wall Street Journal and see how well you do! <https://www.wsj.com/articles/play-the-credit-score-game-11571832001>

## 4 MANAGE YOUR DEBT

### Pruning the Tree

Tree surgeons understand how to shape a tree by making precise cuts to its branches at the right times in order to improve the health of the tree. Pruning can be done poorly and can result in harm to the tree, but if done properly, it helps to increase growth and improve the quality of its fruit. Similarly, taking on debt by borrowing money wisely can allow your family to grow in new directions and to do things you could not otherwise do, but there is debt that brings your family benefits, and debt that causes harm.

Sometimes debt works to your advantage because it increases your net worth, or is an investment in your future, like when you borrow to buy a home or train for a career. Often, however, when you borrow money, it works against you because you have too much debt or because you borrowed the money to pay for something that is quickly used up or loses value right away. The fourth action you can take to grow a healthy family financial tree is to use debt wisely and prune unhealthy debt.



**Q:** How is debt different from credit?

**A:** Credit is the ability to borrow money; debt is the result of borrowing money. It is money you owe.

**Q:** What should I do if I already have debt working against me?

**A:** Set a specific goal to reduce debt by cutting your spending and using that money to pay down debt. Or by increasing your earnings, you will have more resources to pay off your debt.

**Q:** What is bankruptcy?

**A:** Bankruptcy is a legal option with long term consequences for those who cannot repay debts. It is a last resort; and there are debts you cannot include in a bankruptcy.

**Q:** What if I have done all I can and I still have the wrong kind of debt?

**A:** You may need help to set up a debt management plan (DMP), through a credit counseling organization. They can help with budgeting and debt repayment. The Federal Trade Commission offers advice on how to choose a Credit Counselor.



### Grow It Together!

Play **Misadventures in Money Management**, an interactive graphic novel game created by the US government: <https://www.mimm.gov/>

## + ADDITIONAL ACTIVITIES

- Test and track your family's financial health with **The JA Money Quiz**: <https://Moneyquiz.ja.org>
- Take a deep dive into how to invest and spend your earnings by exploring the many resources found in **Manage My Money on JA Connect™**: <https://connect.ja.org/financial-literacy>
- Consider taking the America Saves Pledge, a campaign managed by the nonprofit Consumer Federation of America to help your family commit to saving money, reducing debt, and building wealth: <https://americasaves.org/>
- Watch **What is Debt-to-Income Ratio and Why Does It Matter?**, another video created by the Consumer Financial Protection Bureau: <https://www.youtube.com/watch?v=St2yBWsfBjE>
- Watch **What Teens Should Know About Good and Bad Debt** created by GetSchooled.com: [https://www.youtube.com/watch?v=PjMeYhMn\\_TI](https://www.youtube.com/watch?v=PjMeYhMn_TI)



## ? FOR MORE INFORMATION

### Saving

- Why Banks Pay Interest: <https://connect.ja.org/financial-literacy/manage-your-money/why-banks-pay-interest>
- Unexpected Expenses: <https://connect.ja.org/financial-literacy/manage-your-money/general/unexpected-expenses>

### Budgeting

- Financial Literacy IQ: <https://jausa.ja.org/dA/df1cf761f5/file/Financial%20Literacy%20IQ.pdf>
- Setting Financial Goals: <https://connect.ja.org/financial-literacy/manage-your-money/general/planning-for-financial-success>

### Credit

- Different types of loans: <https://connect.ja.org/financial-literacy/manage-your-money/different-types-of-loans>
- Identity Theft: <https://connect.ja.org/financial-literacy/manage-your-money/understanding-identity-theft>

### Debt

- Consumer Protection: <https://jausa.ja.org/dA/c0a74880bc/file/ConsumerProtection.pdf>
- Debt and Homeownership: <https://connect.ja.org/financial-literacy/manage-your-money/debt-and-homeownership>

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<https://sites.google.com/ja.org/essential-personal-finance/home>

