



Financial Literacy is something we all can benefit from in every stage of life.

Whether it's saving for the newest video game system, saving for college, or saving for retirement, knowing how to manage money is key.

Unfortunately, many Americans do not understand the basic economic concepts needed to guide them through life.

In this booklet, children will learn some of the most basic concepts and how to apply them throughout their lives.

Learn more about being Money \$mart!  
[www.wclibrary.info/moneysmarts](http://www.wclibrary.info/moneysmarts)



# SCARCITY

## COST VS. BENEFIT

All of us have a limited amount of money to buy the stuff we want. This is called scarcity. It would be nice to go out anytime and buy whatever we want. But there is only so much money, and everyone must make choices on how to earn, save, and spend money.

When we make a choice and give up one thing for another, that is called cost. For example, buying new shoes instead of saving the money is your cost for buying the new shoes. The new shoes are your benefit of that cost.

On the next page, you will find a fun activity for you and your child to complete together. The activity is all about weighing the costs vs. benefits of buying something.

# THREE LITTLE PIGS' HOUSES

Let's review the cost vs. benefit of each house built by the pigs.



PIG 1

I built my house out of straw. It's not very safe, but I had lots of time to play outside.



PIG 2

I built my house out of wood. It's a little more safe, but I still had plenty of time to play outside.



PIG 1

I built my house out of bricks. It's very safe, but I **didn't** have lots of time to play outside.

COST

BENEFIT

PIG 1  
HOUSE

PIG 2  
HOUSE

PIG 3  
HOUSE




# EARNING

Everyone has to earn money in some way to make an income. When you earn money, you trade time and effort for money. The money you earn is your income. Your income is based on many different things, like experience, education, and job type. Earning an income allows you to spend and save money.

You're never too young to earn an income! See below to start thinking about how you can earn your own money!

*How can I make money?*



What are 3 special skills, talents, or interest I have?

- 1.
- 2.
- 3.

How do I enjoy spending my time?

- 1.
- 2.
- 3.

Do my friends, family, or neighbors need help with something?

# HOW CAN I EARN?



What were my special skills and talents?

Blank box for writing an answer to the question: "What were my special skills and talents?"

Blank box for writing an answer to the question: "What were my special skills and talents?"

Blank box for writing an answer to the question: "What were my special skills and talents?"



How can I do something I enjoy with my special skills and talents?

Blank box for writing an answer to the question: "How can I do something I enjoy with my special skills and talents?"

Blank box for writing an answer to the question: "How can I do something I enjoy with my special skills and talents?"

Blank box for writing an answer to the question: "How can I do something I enjoy with my special skills and talents?"



# Saving

One of the most important things you can do once you earn an income is to save money. Saving money allows you to buy something that costs more than you have. You can save for the newest video game system, a trip to the amusement park, or even a gift for someone else.

There are two ways to save money. You can do it at home in a piggy bank or you can put it into a bank. When you put money in a bank it goes into a special account so it is kept safe and only you can get it out.

When you save money you should do so with a goal in mind. Take a look at the next page for a fun activity about goal setting and saving money.

## SAVINGS MATH

You earn \$10 for each yard you mow. If you mow 7 yards a week, how long would it take \_\_\_\_\_ for you to save \$200?



## *Try setting a savings goal!*

For what do you want to save?  
How much does it cost?

You make \$20 a week. How long will it take you to  
save enough money?

There is always a cost and benefit for every financial decision.  
What is the cost and benefit of saving for your new purchase?

COST

BENEFIT

# SPENDING

At the beginning of this booklet, we talked about making choices and giving up something else as part of that choice. This is called opportunity cost. Opportunity cost is when you spend your money or time on one thing but give up an opportunity for another thing you want or need.

A **want** is something that you'd like to own, such as the newest video game system or a new TV. A **need** is something you have to have, like food or shelter.

**It's very important to make smart spending choices based on what you need versus what you want.**



# Identify wants and needs

**WANT**

Which items are wants and which are needs? Draw a line from each item on the right and identify whether it is a want or a need.

**NEED**



Remember, when you give up something for something else, the thing you give up is the opportunity cost. For example: Terry has \$1.00 to spend. He has to decide if he wants to buy 2 candy bars that are 50¢ each or 1 soda that is \$1.00. Terry decides he wants the soda. His opportunity cost is the 2 candy bars he gave up for the soda. Can you think of any other examples similar to this?

If I spend my time and money on this:

My opportunity cost/what I give up is:

# BUDGETING

Another smart idea is to set a budget.

A budget is a plan that balances money coming in (income) with money going out (spending). A simple way to make a budget is to add up all the money you earn, then add up all the money you spend every month and subtract that total from the money you earned. Whatever you have left over is called disposable income.

For example: Becky earns \$40 a week. She has to spend \$20 a week on school supplies. She has \$20 a week of disposable income. She can either spend that money or save it.

A good rule is to save 10% or more of your income. So, if you make \$100, put at least \$10 aside for later.



# *Let's see what you learned*

Each statement is either true or false. Write 'T' for true or 'F' for false next to each statement to see what you have learned.

\_\_\_1. Money you earn is called income.

\_\_\_2. People earn money by trading time and effort (work) for income.

\_\_\_3. When you save, you spend money on something you want.

\_\_\_4. When you make a choice, the thing you choose (your first choice) is the opportunity cost.

\_\_\_5. A budget is a plan that balances money coming in (income) with money going out (expenses).

\_\_\_6. Not every choice you make has a cost and a benefit.

\_\_\_7. Money you have left over after you pay your expenses is called disposable income.

\_\_\_8. A want is something you need to survive over time and a need is something that you just want to own.

1.T 2.T 3.F 4.F 5.T 6.F 7.T 8.F

ANSWER KEY

# WORD SEARCH

S K S J F T F U V Y Y G X W A  
T E F E E I N C O M E S N K K  
Z I S G V R I V G A X G T Y R  
B S D N A A G Z T A J Q I Y E  
Z U A E E G S P B V A B F P W  
B H M W O P H L Y U A Z E F S  
O X F A N R X A Y S X F N Z Z  
R F L W S K L E H P D E E N T  
J S B C R K C Q P E V G B L S  
F Z Z Y Z E G H Q N S W R E O  
Q O J B U E M A O D C D O G C  
H B N M O O H L Z I J P P Q P  
X A K H U R T K H X C C S W A  
S G F H B V S F B W X E X P O

BENEFIT

EARN

NEED

BUDGET

EXPENSES

SAVE

CHOICE

GOALS

SPEND

COST

INCOME

# GLOSSARY

Bank: a place where money goes into a special account so it is kept safe and only you can get it out

Benefit: the satisfaction one feels when making a choice or purchase

Budget: a plan that balances money coming in (income) with money going out (spending)

**Cost: when we make a choice and give up one thing for another**

Disposable Income: money that is left over in your budget once your monthly bills are paid

Earning: when you trade time and effort for money

Income: money you earn

Need: something you have to have

Opportunity Cost: when you spend your money or time on one thing but give up an opportunity for another thing you want or need

Savings: money that is set aside with a specific goal in mind

Scarcity: a limited amount of money to buy the things you want

Want: **something that you would like to own but don't need to survive**

# Answer Key

S K S J F T F U V Y Y G X W A  
T E F E E I N C O M E S N K K  
Z I S G V R I V G A X G T Y R  
B S D N A A G Z T A J Q I Y E  
Z U A E E G S P B V A B F P W  
B H M W O P H L Y U A Z E F S  
O X F A N R X A Y S X F N Z Z  
R F L W S K L E H P D E E N T  
J S B C R K C Q P E V G B L S  
F Z Z Y Z E G H Q N S W R E O  
Q O J B U E M A O D C D O G C  
H B N M O O H L Z I J P P Q P  
X A K H U R T K H X C C S W A  
S G F H B V S F B W X E X P O

BENEFIT

EARN

NEED

BUDGET

EXPENSES

SAVE

CHOICE

GOALS

SPEND

COST

INCOME