





WISE
Wedbush Investment
in Student Education

How Do I Teach My Kids About Money?






Regardless of your child's age, he or she needs to start learning how to manage money. You cannot depend your child's school as the sole source of financial education. Some states do not require it as a part of their curriculum. Many parents assume that their children will learn about financial instruments on their own, but this is just not the case. In 2008, high school seniors answered only 48% of questions correctly on the Jump\$tart Coalition survey testing their knowledge of financial basics. Talk to your children and don't allow them to leave home unprepared to handle their money. In this brochure, you will find some basic information on how to educate your children and help prepare them for a life on their own.

Elementary School

ALLOWANCE



Start discussing money with your children as soon as they begin to notice it. Explain that money must be earned and that it should be spent wisely. Consider giving your son or daughter an allowance to help them learn the basics of money management. There are a couple of ways we recommend doing this. The first is to offer a fixed allowance every week. This allows your child to manage a set amount of money each week and teaches them very basic principles of spending and saving. The second option is to give your child money for completing household chores. This teaches your child that money must be



earned and encourages them to help around the house.

SPENDING VS. SAVING

Regardless of how you choose to offer your children money, it is important that you discuss how they will put their money to use. Encourage your children to save by explaining that




they can buy more expensive items, like the new bicycle they so desperately want, if they save their money. Help them create a budget that plans for the purchase of a desired item by setting aside a portion of their allowance. You can make saving fun by using piggy banks and savings jars. Some piggy banks even have different sections for your children's money depending if they want to spend, save, or donate funds. When your children successfully save up and purchase their long-desired item, be sure to congratulate them on their purchase and their decision to save.

ACT WISE-LY

My son really wants \$200 to buy a video game console, but I already give him an allowance of \$15 a week. What should I do?


Help your son make a budget that plans for the purchase of the console. Explain that by setting aside \$10 a week,



he can save enough money to buy the console in 20 weeks. If he complains that he wants it immediately, you can give him an I.O.U. for the \$200 and have him pay a set amount of his allowance each week until he has paid you back. You can also offer to pay for a portion of the console - say \$100 - and have your son save up the other \$100 to make the process quicker. You have a number of options, but the most important thing is to discuss the process with your son and make him understand that to get something he really wants, he may have to save for it.

High School & College

WANTS VS. NEEDS



Makesure your children understand the difference between necessary purchases and purchases that are simply for pleasure or fun. If your children are given an allowance, explain how much money you expect them to spend on needs, on wants, and how much you expect them to save. Encouraging them to create a budget may limit impulsive buying in the future.

WISE SHOPPING

Encourage your children to compare prices from multiple sources before making an important buying decision. By visiting different stores or simply checking prices online, your child can make an informed choice and save money in the process.



TALK TO ME

Talk to your kids about where you currently keep your money. Are you keeping money in a savings or checking account? What are your reasons for having one or both of these accounts? Explain the advantages of keeping your money in accounts that earn interest over hiding money in a drawer and having it lose value. If you currently own any stocks or bonds discuss the investments with your children. Why did you choose these specific investments? How did you go about finding them?



ACT WISE-LY

My daughter wants a \$5,000 used car, but I don't want to just give it to her. What should I do?

Encourage your daughter to get a part-time job to help pay for the car. You don't have to make her pay the entire \$5,000 by herself, but if she can make a significant contribution, it will provide a boost to her self-confidence and help teach her the value of working. Consider paying \$3,000 of the car and then giving her a loan for the other \$2,000. You can set your own payment schedule and even charge her interest on the loan.



CREDIT CARDS

There are some basic facts that every student should know before receiving a credit card. Let your child know that most cards have a grace period in which he can pay the bill without being charged fees. Discuss

the APR (annual percentage rate) of the card, and stress the importance of making timely payments. Encourage your child not to spend beyond his or her means, and emphasize that purchases will end up costing much more if they are not paid on time (see illustration below). Not only do late payments waste money, they can negatively impact your child's credit history.

Illustration: Bryan makes a \$400 purchase and does not make a payment before his grace period is over. His APR is 21%. How much extra will he need to pay if he makes the payment a month late?

- 1) Since this is an annual percentage rate, you must divide the 21% APR by 12 in order to translate it into a monthly rate: $21\% \div 12 = 1.75\%$ monthly rate
- 2) If Bryan pays off the bike one month late, he will pay interest of 1.75% on his outstanding \$400: $0.0175 \times \$400 = \7

So Bryan will need to pay an additional \$7 for his bike, just for paying his credit card bill one month late.



SAVING FOR COLLEGE

Putting aside some money for your child's education is always a good decision. College graduates earn on average twice as much as those who only have a high school education. When deciding how to save for your child's education, consider your child's age and the price of the schools he or she is interested in. There are several options available to save, including 529 plans, Coverdell Education Savings Accounts (ESA), and Traditional or Roth individual retirement accounts (IRA). You can research these vehicles online or talk to a financial advisor at a local financial institution to start saving today.

If relatives ask for holiday or birthday gift suggestions recommend contributions to college savings. Such gifts could include Series EE Savings Bonds or checks that can be added to any previous savings. In your



child's final years of high school, encourage him or her to apply for financial aid and scholarships. While filling out these applications can be time consuming, it can often be a very lucrative investment of time.

For more information, contact a Wedbush Advisor, or visit www.wedbush.com. ■



Wedbush Investment in Student Education (WISE) is designed to educate students of all ages in the area of financial literacy. The ability to exercise good financial judgment is becoming increasingly important yet ever more difficult in today's complicated financial market. WISE seeks to provide students with a better understanding of financial basics through educational resources and corporate partnerships with relevant non-profit organizations. Students that engage in the WISE experience will learn how to budget, save, and invest their resources. These valuable money management skills will help provide students the financial knowledge needed for a successful future.

WEDBUSH

Wedbush Securities is one of the largest private, independent brokerage firms in the nation. Our Private Client Services Group specializes in providing brokerage and advisory services to both institutional and private clients through over 100 offices.

Wedbush Securities

1000 Wilshire Boulevard

Los Angeles, CA 90017

www.wedbush.com

Member NYSE/FINRA/SIPC

Wedbush Securities © 2011