

Suggested Talking Points 6th, 7th & 8th graders

INTRODUCTION

Good morning, my name is Cathy Minehan, and I am the president of the Federal Reserve Bank of Boston. I want to thank Mrs. Pena and Mr. Soares for giving Mr. Bryant and I the opportunity to come speak with you about how to handle your money wisely. Paying attention to your money is important. That's why Mr. Bryant's organization (Operation HOPE) and my organization are working together to tell young people like yourself how to take care of your money.

First of all, has anyone heard of the FRBB? The FRBB is a part of the Federal Reserve System, which has the responsibility of making sure that people and businesses in the United States have a safe and secure system for their money. We make sure that the banks holding your money and lending you money are trustworthy, fair, and honest. We also give people information on how to pay attention to their money and how to best save and borrow money using the banking system.

MONEY

It is sad to say but many people (mostly adults and some teens) get into a lot of trouble because they don't pay attention to what they are doing with their money. Money is something we all know about. We know how to spend it. We know it is good to have it. Much of the time, we don't even pay any attention to what we do with it. We just use it to buy the things we want and need.

Does anybody know the difference between wanting something and needing something?

Believe it or not before you make a decision to spend your money, it is good to know the difference between a want and a need. Right now, most of you are probably just spending money on things you want, because someone older is taking care of your needs. But one day, you will have to make sure you can first pay for your needs – your food, your housing, your clothes –before you can buy the things that you want.

BEFORE THERE WAS SOMETHING CALLED MONEY

Can you imagine a world without money? What would we do? Suppose you had some food I really needed, and I had clothes you really needed? What do you think we could do so that each of us would get what we needed? We could trade or barter.

Back in colonial days there was no money in the United States. The newly arrived colonists had to rely on trade to get the things that they needed and wanted. They traded with England, shipping out the things they had a lot of here, like dried fish and animal skins, for things they could not get here, like dishes and mirrors.

To get a fair trade, colonists and the British had to come to an agreement on the value of thing. For example, figuring out how many animal skins would equal the value of a mirror. How do you think that was done? Do you think it was a hard thing to do? It was difficult because each animal skin was of a different quality, some were better and some were worse, and so it was impossible to set a standard price for a mirror in terms of animal skins. Each time you traded, you had to renegotiate.

Also bartering and trading were fine if someone had something you needed, and you had something they needed, but if not, it was limiting. People would not trade with you if you did not have things that they needed or wanted. This meant that sometimes

you couldn't get what you needed. This was a major problem. What do you think was the solution? Money.

Money was a great solution because it was something that everybody accepted as payment. You traded your items for money and with that money you could always get the items you needed. It also made it easier to give value to an item. For example, since two gold coins were always worth the same amount, I could always trade two gold coins for a mirror. At first gold & silver coins were used because they were valuable objects by themselves, but they were very heavy to carry around. So soon, lightweight paper money was introduced with each bill, like today, backed by a promise by the U.S. Government that the value printed on the money was its true worth.

THE POWER OF MONEY: CREDIT AND INTEREST

Money has definitely made life easier, and today, money is your friend when you have it. It makes it possible for you to buy new clothes, eat snacks, and purchase CDs, gifts, and other items. But money, like a friend, must be given attention or it will not stay with you. If you don't watch it, before you know it, it is gone.

For the next several weeks, people who know a lot about paying attention to money and how to take care of it will be coming to your school to meet with you and share their knowledge with you.

1) They are going to show you how to keep your money safe. Where do you think the safest place is? The Bank. What are some ways you can get your money from the bank when you need it? You also can get your money through an ATM. Do you know what ATM stands for?

2) They are also going to show you how to make a budget to help you decide how to best use the money you have. Does anyone know what a budget is? A budget is a plan of how you are going to spend your money, making sure you take care of your needs first, before your wants. It helps you to use your money wisely so that you always have money when you need it.

3) You will also learn about the interest you receive from your bank account. Does anyone know what interest is? Interest is money your bank pays you for letting them use the money you deposit into your savings account. For example, if you put \$100 dollars in the bank for one year and the interest rate is 5%, at the end of the year, the bank will pay you an extra \$5.00.

Sometimes, you don't have enough money to buy something that you need or want. What can you do? You can borrow money from a bank or a money lender to buy the item. This is called buying on credit, and you pay back the money to the bank in installments or small payments over time. You have to be very wise when using credit because you are building a permanent relationship with the bank or lender who loaned you the money. The bank keeps track of the payments you make in your Credit History. If you make all your payments on time, you will have a good credit history. If you have a good credit history, banks and other lenders will be more likely to lend you money in the future because your history says that you pay back the money you borrow. But if you have bad credit history, they will not. They doubt whether you will pay them back, and they don't want to lose their money if you don't.

Why do you think it is good to be able to get credit? It's important because when you are older you will want to be able to borrow money to buy a home, or a car, or to repair your home, or take a trip. These purchases are expensive and credit helps you to

buy them when you need and want them, and pay back the bank in smaller payments each month until they are paid for.

Credit is not free, however. Remember how when you save your money in a bank, the bank pays you interest for letting them use your money? Well, when you borrow money, you are taking money from the bank as a loan, and the bank asks you to pay them interest because now you are using their money. Interest is the cost of using somebody else's money.

So, when you borrow money, you must pay back more than you borrowed. Remember when we talked about putting \$100 in the bank, and the bank paid us \$5.00 in interest. Now, when you borrow \$100, the bank will charge you \$5.00 interest, and you will pay back – not \$100 – but \$105. (Questions?)

There is another way to borrow money. Has anyone ever heard of credit cards? Can someone name some popular credit cards? Credit cards are plastic cards that banks and lending companies give to people so that they can purchase items that they don't readily have money to buy. When a credit card is used, the person is borrowing money from the bank with a promise to pay it back. The bank pays the store immediately, so you don't owe the store any money. To whom do you owe the money?

Just like any other loan, the credit company or bank allows you to pay the money back in monthly installments until the amount borrowed is paid back and keeps track of your payments in your credit history.

So you see we have come a long way from the colonial days when people used trading and bartering as a way to buy items. Now, there are many ways we can use

money and take care of it, and in the next few weeks, I hope you will learn about the best ways to do so.

EXERCISE

I am going to pass out an exercise (attached). The questions are about some important words we used today. Let's do them together.

CLOSING

How many of you think that bringing information to students your age about how to take care of their money is a good thing to do? Do you think that you'll remember this when you get older? If you think it is important, you should learn more and share the information with others (like older brothers and sisters, for example), so that they will be smart about money, too.

Mr. Bryant and my staff are going to be asking Mr. Soares to let us know how you are doing along the way on this project because we really do want you to be money smart.

Does anyone have any questions?

[Cathy, you might want to suggest that if the boys and girls would like to learn more about the kinds of things you talked about today, they might be very interested in learning about the New England Adventure, which is opening up in the fall.]