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Chapter 1

Building on What You Have Already Learned

Some of you will have read the book for 8-12 year olds and will be familiar with some basic ideas. For those of you who haven't ... don't worry! It all starts here!

Planning your money

The main thing to remember is that if you try to spend more than you have you will end up with trouble. If you plan on paper how much money you receive, what you are going to spend, and when.... things will be fine.

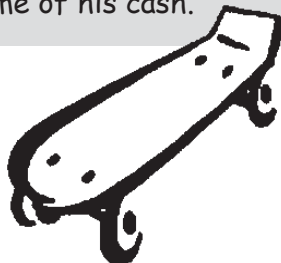
Making a list of what your income (money you receive/earn) and your expenses (money you pay others) is called a **budget**.

Sorting out when you want to buy stuff and working out whether you will have enough money is called **cashflow**.

It's quite important to get a grip on what words "budget" and "cashflow" mean, so here is an example.

Roger Owl has a skateboard which will need some new bearings and wheels. He thinks they should both be replaced at the same time. The total cost is around \$120. He is not prepared to buy poor quality, cheaper bearings because he skates hard out and they would wear out quickly.

Roger earns around \$30 a week from pocket money and his circular delivery round. He also has other expenses like food and entertainment which will use up some of his cash.



ROGER'S BUDGET

<u>Weekly Income</u>	\$ 30
<u>Weekly Expenses</u>	
Giving	\$ 3
Food	\$ 5
Entertainment	\$ 12
Saving	<u>\$ 10</u>
Total Expenses	<u>\$ 30</u>

Roger's budget is fine. Let's look at his cash flow.

ROGER'S CASH FLOW

Saving target	\$120
Weekly saving	\$ 10

How many weeks will it take to save \$120?
(\$10 per week for 12 weeks = \$120.)

Roger now knows that he will not be able to replace his wheels and bearings for another 3 months (12 weeks).

He can now make some choices.

- Is the 12 week timeframe OK?
- If it isn't OK, what can he do?
 - Cut back on food
 - Cut back on entertainment
 - Earn more money
 - Fund the repairs from his savings

Having a budget allows you to plan ahead. Doing a cash flow helps you to have the money when you need it.

Organising your money

The three main ideas to do with organising your money are:

- Don't be greedy
- Don't be stingy
- Don't spend it all at once

Don't be greedy.

Everyone should give some of their money away! Before you go “yeah, right!” think for a moment. Is it so hard to give presents to people? Is it so hard to give some money to help fundraise for something? Is it so hard to help out someone who has had some real bad luck?

You might agree that it would be OK to give some money away for those sorts of things. If you put 10% away into a “giving” fund every week, probably you would never notice it has gone (that's \$1 for every \$10 you get). The bonus will be that every time you need money to give away to someone, it will be there for you to do so.

Keep it hidden in a box in your room (unless the total is more than about \$20). If it gets over \$20 keep it in your bank account.

Don't be stingy

Buy the things you need. Depending on your age and your expenses, you should be able to spend about half of your remaining money each week. Do a budget to help sort this out.

Your spending money should be kept in your purse or wallet.

Don't spend it all at once

Save around half of the money you receive. If you do this, you will have money available for larger items. You might be saving for a car or for tertiary study, so the amount you need to save might be quite large.

Save it into a bank account so that you don't get tempted to spend it on ordinary expenses. There's more about bank accounts later.

Amy Owl had been doing quite well with her music and realised that she would need to get her own clarinet. Luckily, she had been planning for this for a few years and had saved \$800 towards a new instrument. She was still worried about meeting her target and took another look at her budget.

She decided that she could save \$5 a week by taking her lunch every day and not buying anything from the school canteen. This would allow her to save up another \$260 in a year. Her share of the clarinet was to be \$1 000 and her parents were going to pay the rest.