

TEEN TOPICS

Teen Destination Club newsletter

April 2006

First Edition

SMALL SAVINGS CAN ADD UP!

How much does a cup of coffee cost you? If you buy a cup of coffee every day for \$1.00, that adds up to \$365 a year.

If you saved that \$365 for just one year, and put it into either a savings account or an investment that earns 5% a year, it would grow to \$465.84 by the end of 5 years. And by the end of 30 years, it would grow to \$1,577.50!

How can your money grow like that? That's the power of "compounding." With compound interest, you earn interest on the money you save and on the interest that your saved money earns. Over time, even a small amount saved can add up to big money.

If you're willing to watch what you spend and look for little ways to save on a regular schedule, you can make money grow. You just did it with one cup of coffee!

If a small cup of coffee can make such a huge difference, start looking at how you could make your money

grow if you decide to spend less on other things and save those extra dollars.



More Ways to Save

\$Wait to buy. If you buy on impulse, make a rule that you'll always wait 24 hours to buy anything. You might lose your desire to buy the item after a day.

\$Save your change. Try emptying your pockets and wallet of spare change at the end of each day. You'll be surprised how quickly those nickels and dimes add up!

\$Pay off all the high-interest debt that you have. Some people have wallets filled with credit cards. Credit cards can make it seem easy to buy expensive things when you don't have the cash in your pocket—or in your credit union account.

But credit cards aren't free money! Credit cards charge interest if you don't pay

your balance in full each month. If you owe money on your credit cards, the smartest thing you can do is pay off the balance in full as quickly as possible.

FIGHTING FRAUD ON THE WEB

The Internet is a great place for teens with a credit card to be taken for a ride. Use these tips to avoid an Internet scam!

- **Don't believe promises of easy money.** If somebody claims that you can earn a lot of money with very little work or you can get a loan or a credit card even though your credit is bad, it's probably a scam.
- **Resist pressure.** Companies that are on the up-and-up will be happy to give you time to think over an offer. It's the ones who demand that you act immediately or won't take no for an answer that are usually no good.
- **Think twice about enter-**

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ing contests operated by unfamiliar companies.

- **Be cautious about unsolicited e-mails.** They are often fraudulent. Responding to them may merely inform the senders that yours is a working e-mail.

Guard your personal information.

Don't provide your credit or debit card number unless you are actually paying for something.



PUT YOURSELF IN KRISTEN’S SHOES...AND PRACTICE SAVING!



Kristen wants to buy a new video game with a price of \$65. Kristen

receives \$15 for an allowance each week. She has been trying to save \$5 each week for the last 5 weeks. So far, she has \$5. Kristen is very frustrated. She can’t figure out what she’s doing wrong.

She must use her allowance for school lunches as well as for any entertainment or activities during the week. Last week Kristen paid

\$1.50 each school day for lunch. Kristen’s neighbor said that he would pay Kristen \$10 to pull weeds on Saturday afternoon, but Kristen wanted to go to the movies with her friends. The ticket for the matinee was \$4.00, and she spent another \$2.50 on popcorn and soda. While she and her friends waited for their ride home, she spent \$1.00 playing video games at the arcade in the theater.



Answers to Questions for “Put Yourself in Kristen’s Shoes”

1. Kristen’s expenses for last week were these:

School lunch:	\$1.50 per school day (or \$7.50 for 5 days)
Movie ticket:	\$4.00
Popcorn and soda:	\$2.50
Video games at arcade:	\$1.00
Total expenses:	\$15.00

2. To save more of her allowance, Kristen could:

- Take her lunch to school
 - Split the cost of a movie rental with her friends (rather than going out to a matinee)
 - Go without popcorn and soda if she does go out to the movies
 - Skip the video games at the arcade
- Did you have other ideas?

3. Kristen’s budget constraint for her vacation week is \$30.00.

Questions

Write your answers below. Compare your answers with our answers at the right.

1. **Expenses** are payments for goods and services. What were Kristen’s expenses for last week?

2. Kristen chose to go to the movies with her friends rather than pull weeds. She gave up earning some extra money to spend more time with her friends. This is called a **trade-off**. Recommend some simple changes Kristen could make to save more of her allowance.

3. A **budget constraint** is the limit to the amount that may be spent. Kristen and her family are going on vacation. Her mother told her that she could spend \$30 on souvenirs, video games, and miniature golf during the week. What is Kristen’s budget constraint for the week?

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