

# Money 2000™

## For Teens

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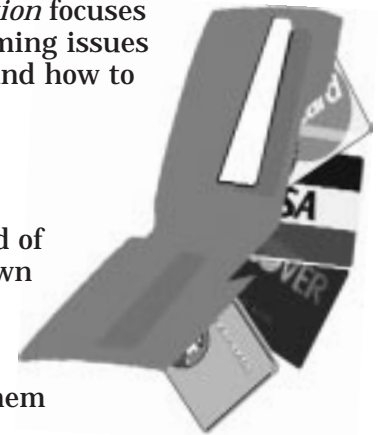
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Question of the Quarter 4

This month's issue of *Money 2000-Youth Edition* focuses on the pluses and minuses of using credit. Upcoming issues will feature how to select the **best** card for you and how to manage credit after you receive a card.

### Show Me the Plastic - Part 1

Credit cards offers are everywhere. One-third of teens aged 18 to 19 have a credit card in their own name and 9 percent have access to a parent's credit card, according to a survey by Teenage Research Unlimited. But what should you know about credit, credit cards and how **best** to use them so that **you** benefit?



#### +++++ Pluses +++++

- ▲ You can use the items you buy while paying for them.
- ▲ Credit is good to have in case of an emergency.
- ▲ You do not need to carry large amounts of cash.
- ▲ Credit receipts can help you keep track of your expenses.
- ▲ Credit is easy and convenient to use.
- ▲ Credit cards may be accepted at stores and other places that will not accept personal checks.
- ▲ You are establishing a credit history you will need when purchasing a vehicle, a home or other major purchase.

#### ----- Minuses -----

- ▼ Credit payments tie up future income. This limits the decisions and purchases you can make.
- ▼ Because credit is so easy to use, you may buy items you don't need and can't afford.
- ▼ You may overspend.
- ▼ Credit costs money – in some cases, **lots** of money!
- ▼ You may overlook the total amount (purchase price + cost of credit) you pay for an item.
- ▼ If you lose your job or have to quit because of school, you may lose your purchase. (The lender may repossess the item and sell it to pay the amount you owe.)
- ▼ If you do not use credit wisely, your credit record will show this and you may not be able to get credit when you really need it.

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## The Answer Is ...

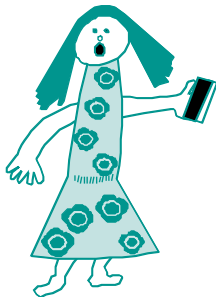
Did you answer the question in the first edition of this newsletter correctly?

**QUESTION:** Josie saved \$2,000 a year from the time she was 19 years old until she was age 26. She never added any more money to the account after that time. Jack began saving at age 27 and saved \$2,000 each year until he was 65 years old. Both saved their money in a tax-deferred account (the money is not taxed until it is taken out of the account) that earned 10 percent interest per year. Will Josie or Jack have the most money at age 65?

**ANSWER:** Josie, who invested \$16,000, will have \$1,035,000. Jack, who invested \$78,000, will have \$883,185. What made the difference? The more **time** you have to save, the more money you will have at the end of the time period. **Begin** to save as soon as you can.

## Assignment

Ask your parents if you can keep all the credit card offers your family receives for the next three months. You will use them with the next newsletter.



### Did You Know?

*A 10-gallon hat holds three-quarters of a gallon.*

## Ask the Money Guy

Each month you will have the opportunity to “Ask the Money Guy” about money management questions. If you have a question you would like answered, send your e-mail to [shelby@uamont.edu](mailto:shelby@uamont.edu).

Dear Money Guy:

I just purchased my first vehicle – a truck. I need some tips on how to get the best deal when I buy insurance.



First-time Buyer

Dear First-time Buyer:

Shop for insurance as hard as you shopped for that truck. Shop around for at least three quotes from different companies. Be sure to compare equal coverage. Have a list of questions and talk to each insurance agent. Make notes. Check to see if the company has at least an “A” rating. (You can find this information in *Best’s Insurance Report*® or other rating sources. Ask your local librarian for help.) Also check to see if the company is licensed to sell insurance in Arkansas. Know what the policy covers. Read the policy (AND the fine print). If you do not understand something, ask questions. If you do not see a specific type of coverage in writing, you may not be covered.

Compare premiums to analyze the price reduction on collision and/or comprehensive coverage with \$100, \$250 and \$500 deductibles. Select a policy with the highest deductible you can afford. This will lower your premiums. Start now to build an emergency fund to pay this deductible if you should need it. Ask about discounts for which you may qualify – good grades, taking a driver’s education course, etc. Good luck!

The Money Guy

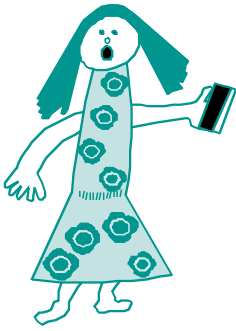
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*Keep away from people who try to belittle your ambition. Small people always do that, but the really great make you feel that you, too, can become great.*

Mark Twain

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## Did You Know?

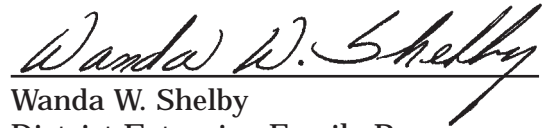
- *Almost two-thirds of youth ages 12 to 17 have a television in their bedroom.*
- *57 percent have cable or satellite hook-ups.*
- *43 percent have their own VCR.*

*(American Demographics, December, 1998)*

## ???? Question of the Quarter ????

The answer will be in the next edition of the newsletter. Do you know the correct answer to the question below?

**What is the “Rule of 72”?**

  
Wanda W. Shelby  
District Extension Family Resource  
Management Specialist