About The Author

Tiffany Tang was a former Financial Controller for INTI Education Group, Malaysia (part of Laureate International Universities, United States of America). Previously, she worked as a Regional Accountant and had been in several countries such as Singapore, China, South Korea, India, and Japan. She'd also worked for a few large multinational companies in the retail, bulk logistics, computer hardware, and civil engineering industries. In total, Tiffany has more than 15 years of working experience. She holds an Honours degree in Applied Accounting from Oxford Brookes University, UK and is a member of the Institute of Financial Accountants, UK.

While she was traveling around the region, she realized that many young people did not learn to manage money wisely and choose to live on ‘easy’ credit. This is happening all over the world. Tiffany’s vision is for a society in which all children and young people have the skills, knowledge and confidence to manage their money well, now and in the future.

Foreword

When should you start learning about money? The sooner you start, the better! Financial Intelligence for Kids is written to help you master your money. Money and finances can be complicated, but this book makes it easy with easy to understand concepts.

It starts at the beginning with money. Everyone knows what it is, but they don't always know from where it came and how it work? This guide will show you that and a whole lot more.

I will tell many stories so you can understand the money concepts that will help you to achieve your hopes and dreams. That way, you can do the things you really want to do and live how you want to live.

To the parent

The attitude of people in the past about teaching kids about finance has been: "Oh, they'll learn about that later," but the "later" never came along for a lot of people and they graduated from school never knowing anything about money and finances, even though they were very well educated in other areas of their lives.

Children encounter money earlier and earlier in life. Not knowing how to manage their money will put them at a disadvantage, which can potentially lead them into credit card debts, uncontrollable spending, and under-accumulation of wealth.

This book is as much written for parents as for kids. Although this book is written in a kids-friendly style so kids can work independently through it, I encourage you to discuss the material in this book together with your child.

My personal vision is for a society in which all children have the skills, knowledge and confidence to manage their money well, now and in the future. To fulfil this vision, I'm dedicated to supporting parents in giving their children the skills, knowledge and confidence to manage money. This book is the outcome of that vision.

To your prosperity and happiness,

Tiffany Tang
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Chapter 1

What Is Money? What Is Its Origin?

You've seen money and you probably even have had some of your own, but you probably never really thought a lot about it, except that you want more of it so you can buy things. From your point of view, money is the "stuff you buy things with," but you probably don't know "what it is" beyond that. And you probably thought it always existed. The truth is that, in the long history of the world, money has only been around a short time.

In the beginning, there was no money because there was no need for money. People lived as families and as they grew larger, they became huge extended families called tribes. These tribes were completely self-supported because they found or made everything themselves. So nobody went to the store to buy anything because there were no stores.

People lived like this for thousands of years until about 9000 years B.C when everything began to change. People discovered farming and began to **specialize** or do just one job. They became farmers, and craftsmen who made things people needed out of wood, metal, pottery, and other materials. They learned how to weave cloth and make more clothing choices, but they no longer made everything they needed for themselves.

Then people started trading or exchanged goods for other goods in a process called **bartering.** There are two problems with bartering. One is agreeing on how much each other's items are worth. How many cobs of corn does it take to buy a chicken? How many chickens does it take to buy a cow? These are not questions with simple answers. You may have one idea, the other person might have another and that makes it difficult to agree.

Jason: I will trade you a bushel of wheat for one of your sheep.

Christopher: No. One bushel of wheat is not enough. My sheep is more valuable than just one bushel of wheat.

Figure 1 Bartering process

Coming to an agreement when trading is called **haggling**. If Jason wants to get Christopher's sheep, he will need to offer Christopher another bushel of wheat for his sheep. However, Christopher may demand that Jason pay *five* bushels of wheat, knowing Jason will offer more bushels of wheat, but not five bushels. After all, Jason will either say “no” to the deal or offer an amount in the middle—say three bushels and the bartering will be completed.

The other problem with bartering is finding someone who not only has what you want, but wants what you have. That’s not always easy. You may want a cow, but the other person doesn’t want your chickens.

It’s easy to see the problems with bartering and the need for **currency**, which, in today’s economy, we call **money**.

Money is a system for assigning **value**, how much things that can be bought or sold are worth. You are already familiar with this value system whether you realize it or not. You know that a candy bar costs less than a television.

Currency is the actual physical thing that the value is assigned. In the modern world, currency is the coins and paper money that you use to buy things. For example, $1 note, 10¢ cents.

Figure 2 Today's Currencies

You probably never thought about it, but why does currency have any value anyway? After all, it's just paper and bits of metal. You crumple up paper and throw it away or recycle it all the time, just like you do with metal cans, right?

Chapter 2

Why People Face Money Problems?

It is good to learn good money management skills so you do not face money problem when you grow up. You might say to yourself: “That will never happen to me” and that may be true, but think of all the people who are now facing money problems who said exactly the same thing when they were kids.

Some of them ran into money **problems** through no fault of their own. Sometimes natural disasters strike or people end up getting sick and cannot work, but it also happens because people fail to plan.

It is hard to set any money aside when you have more bills to pay and you have so little money. Just like the little fat boy who is always tempted to eat. The father gave him $3 every day for pocket money. First thing he did is to spend $2 on food and $1 on sticker book. How would he be able to set some money aside?

He will forever be running short of money and he cannot afford other things. That’s why it is so important for you to do well in school. Doing well in school will open doors of opportunity, but doing poorly will lower the chances.

Yes, a good job or career will take you far, but if you spend more money than you receive, you will be broke. When you are broke, you will easily going into bankruptcy and it will be hard for you to go back to normal life.

As a bankrupt, you may not be allowed to take a taxi and own a property or car. You can only take buses or trains. When you receive your salary, the government will assign an agent to take a portion of your money. The agent will return that portion of money to your creditor or to people who you owed the money to. You'll only be left with a small portion for food and transport.

Figure 8 Credit card debt

Getting into debt, particularly credit card debt is another problem faced by young people these days. People borrow money to open a business, expand a business, or to buy a house. These are good reasons for which to borrow money. All of these things are **investments**, or things that will make you more money.

Inflation

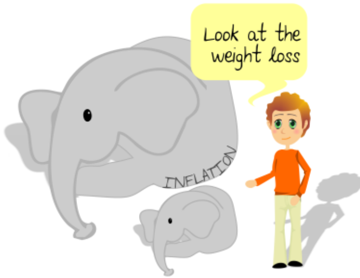

Figure 25. The elephant shrank in size due to reduced purchasing power over a period of time.

Maybe you have heard of inflation and do not know what it means or you have never heard of it and wonder: "Why is it important to me?"

Inflation is important to you because it affects the value of the money that you are trying to save in the bank or by investing it in other things.

Inflation is measured as a percentage rate. The higher the percentage rate of inflation, the less money you make on the money you have deposited in the bank. In fact, if inflation goes past 5 percent, you are actually losing money, even though you are being paid interest by the bank.

Remember what we learned about interest rates offered by the bank on savings accounts? Simple savings accounts earn 0.25 percent and fixed rate savings accounts pay between 3.15 to 4.15 percent. If you're lucky enough to earn 4 percent on your savings, but if the inflation rate is 5 percent, your money is actually losing value by 1 percent.

How does that work? **Inflation** means that prices are constantly increasing or inflating, but your money is *losing* value because it now buys less stuff because things now cost more and it takes more money to buy them. So with inflation, prices go *up*, but the value of money goes *down*.

Stuart likes to eat candy. He used to pay $0.50 for 3 candies. But with inflation, $0.50 can only buy him 2 candies.