

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

Money and finances is one of those subjects not to be missed in your personal life journey. What you learn from these pages will be the things that you will use every day if you want to be successful.

School is supposed to be all about learning to be successful, but it misses the most important lesson: good money management skills. Some really intelligent people who did really well in school have graduated and gone out and failed in life because they didn't know how to manage their money. Don't make the same mistake. Take charge of your future by learning about money and finances today.

What Can Money Do For You?

Most people don't usually have any trouble thinking about what they are going to do with money once they get some. The simple answer is they are going to spend it. Chances are, you've

already got a list of things that you want to have or do that costs money, anything from buying the latest smartphone to going to concerts, movies, and other forms of entertainment with your friends. Or, you like to spend money on fashion. Maybe you dream of taking a vacation or many vacations.

Yes, you are already quite familiar with that part of what money can do for you – it buys you the things that you want. However, if that’s the only thing that you ever learn about money, then the sad news is that you are going to have less and less money to spend as time goes on in your life—unless you learn solid lessons that only a good financial education can provide.

Only by learning these things will you be able to have the lifestyle you want and be able to help others by donating money to the less fortunate.

To the parent

My personal 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. To fulfil this

vision, I'm dedicated to supporting parents in giving their children and young people the skills, knowledge and confidence to manage money. This book is the outcome of that vision.

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

The knowledge and tools presented in this book will lay a very solid groundwork for your child's financial independence before they start work.

To your prosperity and happiness,

Tiffany Tang

<http://tiffanytang.net>

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Chapter 1

What Is Money? What Is Its Origin?

Money is more than the “stuff that buys stuff” and people tend to take it for granted, like it’s always been around forever, but the truth is that the creation of money was thousands of years in the making.

People call the items in Figure 1 money, but it’s actually currency. So, if that’s currency, then what is money? There are a lot of complicated answers to that question, but the simplest answer is that money is a system for assigning value. That sounds complicated, too, but you know more about this than you probably realize. You know that a car costs more than a bike and that a burger costs less than a steak. If you know prices, you know value and that value is the basis of the monetary system.



Figure 1. Today's Currencies

Money gives everything a value and the currency provides a *means of exchange* or something that both the buyer and the seller agree is valuable so things can be bought and sold. That doesn't sound like a big deal nowadays because it happens all the time, each and every day, but it was a huge innovation when money was first invented.

About 9000 years ago, during the Stone Age, everyone bartered, or traded goods or services for the things that they wanted. What money makes easy, bartering makes very hard because it is very difficult to assign or agree upon value when bartering.

It's easy with money because value can be *expressed* in terms of money. That horse is worth

a \$1,000, but that chicken is worth \$50. If the guy who owns the chicken wants to buy the horse, he simply hands over \$1,000 and the deal is done. But, without money, the value of things has to be expressed in terms of *other stuff*.

Now, the guy that has chickens has to try and buy the horse with the only thing he has of value—chickens. Most people would agree one horse is more valuable than one chicken, but how much more? Does it take 10, 20, 50, or more chickens to buy a horse? There's no clear answer.

The two people involved have to sort it out in a process called haggling, which still goes on today around the world with both bartering and monetary sales. The objective of anyone who is trying to buy something is to get the most value for the least amount of stuff or money, while the objective of the seller is to get the most stuff or money.

But, if the seller wants to sell and the buyer want to buy, they will have to compromise and move closer to the demands of the other person. The guy with the chickens will offer two chickens for the horse, knowing that the seller of the horse will never accept that offer. The seller of the horse will demand 100 chickens as the

price of the horse, knowing the buyer will not accept that price. If the buyer still wants the horse, he will increase the number of chickens he will offer for the horse. In turn, the owner of the horse will lower his price until they “meet in the middle.”

Assigning value to goods in terms of other goods is just one problem with bartering, but the other big problem is not wanting what the other person has to trade. What if the guy selling the horse doesn't want to be paid in chickens? These are just two of the problems with bartering.

From 1200 B.C to 50 B.C, the societies around the world set up currencies, but they were made from things that you would not recognize as currencies. The Chinese used a type of shell called Cowrie shells and metal tools as money, Native Americans used polished volcanic rock.



Figure 2. Chinese Cowrie Shell Money

Chapter 2

Why People Get Into Financial Trouble?



Figure 4. Bank repossessed the car due to loan default

People get into trouble financially because they don't understand the basic principles of money management, because they don't learn about them growing up, nor do they learn about them in school. And that is the exact reason for writing this book. You need to know this stuff now while it is still useful to you and avoid the traps of the financial world.

There are three basic reasons that people get into financial trouble. They don't make enough money, they spend more money than they make, and they get into so much debt that they cannot get out of it.

The first one is **not making enough** money in the first place. It is so important for you to do well in school. Doing well in school will open doors of opportunity, but doing poorly will restrict them.

If you have a rough home life and just surviving at home is tough, it's understandable that it's hard to think about school, much less worry about doing well in school. In the scheme of a hard life, it's difficult to think about staying on top of homework and doing well on tests, but you have to find a way to do exactly that.

You may have friends who will discourage you from doing well in school. You need to ask them if they are going to pay your bills when you grow up. You know the answer to that is "no," which means it's up to you. You need to be the person in your life who can make things happen, particularly when it comes to school.

Building Your Financial Foundation

When people want to help other people, the temptation is to just give them what they need right away. And, in situations of life or death, this is exactly the right thing to do. But, if you want to really help someone over the long term, you can't just keep giving them what they need. You have to give them *the means* to get what they need for themselves.

People might think they want things just given to them, but they really don't. When that happens, they lose dignity and self-esteem. You may already be feeling that now as a teenager and, actually, that's not a bad thing. If you're feeling this way, you're a normal, healthy teenager. Being allowed to succeed as independently as possible is a gift.

There is an old saying that if you give a man a fish, you feed him for a day. But, if you teach him to fish, you feed him for a lifetime. Right now, the adults in your life are doing the fishing for you, which is the way it should be. But, if you're feeling the need for self-reliance, if you're tired of being a kid and being treated like one—that is a healthy thing. That means you want to start fishing for yourself.



Figure 5 Getting your financial education

A lot of parents and adults want teenage rebellion to go away. Instead, harness it. It's a powerful energy. Take ownership of your life and do your work—not because someone tells you to do it—but because YOU want to succeed. Take these lessons and the lessons from school and activities and learn to fish.

That's what this book is all about. While you're demanding your "rights", shoulder your responsibilities. Demonstrate that you are mature enough to take responsibility for the things that you want.

This book is here to help. I will teach you how to save and how to manage your money. It will teach how to earn money and how to invest. This book is here to help you save time by preventing you from making unnecessary mistakes.

Personal Budgeting

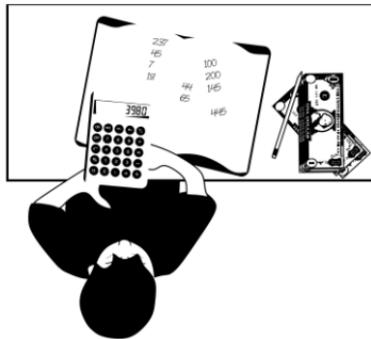


Figure 19 Preparing a personal budgeting

Earlier, you learned how to save your money when you get your income which could be in the form of pocket money, interest income, or even salary received from working part time.

You needed to understand how to prepare a personal budget. This is a skill even a lot of adults lack. It will not only help you to get a handle on your personal finances, it will also help you to understand good business finances

and the difference between a good business opportunity, or a good investment, and a bad one.

A budget also lets you know how you are doing financially just as a financial statement shows a business how it is doing financially. The financial statement is one report, but it is made up of three important parts that are like different medical tests on a person, each one telling something different about the financial health of the company. The documents that make up the company financial statement are:

- Income Statement
- Balance Sheet
- Cash Flow Statement

The Income Statement tells you if the business is making money while the Balance Sheet shows how much is the company is worth. The Cash Flow Statement tells how much cash has been generated from the business activity.

To be an effective company, the business owner must review the financial statements often to make sure that the company is in healthy shape. The same principal applies to every one of us and our own personal finances.

Personal budgeting sounds complicated and that's the reason why a lot of people never learn to do it, but it's not as complicated as you might think.

Personal Budgeting Template

Review the Personal Budget Template on the next page to get an idea of the information you will need when you set up your own budget.

Income Statement

MONTHLY INCOME STATEMENT	
<u>Income</u>	<u>Amount</u>
Pocket Money	_____
Interest Received	_____
Dividend	_____
Salary	_____
Total Income (A)	_____
 Savings (B)	
 <u>Expenses</u>	
Book	_____
Food	_____
Holiday	_____
Donation	_____
_____	_____
_____	_____
_____	_____
Total Expenses (C)	_____
Budget Surplus/(Deficit) (A-B-C)	_____

Income Statement made up of two main components – income and expenses.

Income – have you ever wondered why it's called income? It's because it's what's "coming in" or the money that you're receiving from your job or other sources of income, such as rents from properties that your parents own, interest income, or dividends from investments.

Expenses – "outgo", would be a good name for the money you have to spend for the things that you need and want because that money is leaving you.

Budget Surplus – a budget surplus occurs if you have more income than expenses. The "trick" of budgeting is to figure out how to design your budget so that you have more money coming in than you have going out.

Budget Deficit – a budget deficit occurs if you have more expenses than income. If you have one, you will have to do something about it. Getting your expenses to match your income is called **balancing** your budget.

To do that, you basically have one of three choices. You can increase your income, reduce

your expenses, or do a combination of both. That's it. Those are your only options.

Balance Sheet

BALANCE SHEET	
<u>Assets</u>	<u>Amount</u>
Real Estate	
Car	
Savings	
Stocks/Funds	
Total Assets (A)	_____
<u>Liabilities</u>	
School Loan	
Car Hire Purchase	
Credit Card	
Home Mortgage	
Total Liabilities (B)	_____
Net Assets (A-B)	_____
<u>Equity</u>	
Prior Year Budget Surplus/(Deficit)	
Current Year Budget Surplus/(Deficit)	_____
Total Equity	_____

Balance Sheet made up of three components – Assets, Liability, and Equity. It is a simple algebraic procedure and it can be presented in two ways: