

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

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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

To The Youth - Why Learn Financial Literacy?

Consider the following facts:

1. Money is the number one cause of divorce in the world.
2. Money is among the top reasons people commit suicide.
3. Approximately 75% of people live from month to month financially.
4. Less than 10% of high school graduates receive any financial education in school.
5. One online job service surveyed college students in 2003 and found that 61% of them said they planned to live with their parents after graduation!
6. There is a negative correlation between students' scores on financial literacy

- exams and the number of bankruptcies in the states where they live.
7. Less than a third of this generation are saving enough for retirement.
 8. College students are graduating with soaring credit card debt (not including student loans!) along with their diplomas. Four out of ten college students face 'unmanageable' debt as they finish college and enter the job market.

These, and many similarly alarming trends are what motivated me to write this book. I want to give you – a young person who is going to enter the job market – the best financial education that you can have.

By applying the knowledge and tools presented in this book, you will learn to manage money wisely and develop good financial habits; and these sound financial habits will in turn become your building blocks for a secure future. Given the current rate of savings and debt in the world, this book offers many valuable lessons that desperately need to be learned. Along with easy to follow explanations of personal finance concepts, this

book also offers many interesting activities to illustrate sound money-management concepts.

I wish I had this book in my hands when I first entered the job market. It would have put me years ahead of my peers financially and save me many dollars in costly mistakes. You now have a chance to start it right! I invite you to carefully study this book. It will give you a fun and interactive way to learn about all the things you need to know about your money: earning, saving, spending, investing, donating safeguarding, and borrowing. And more importantly, accumulating wealth that'll last you a lifetime.

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 fulfill 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 youths. Although this book is written in a youth-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 need for young people to be able to control of their money and to plan for the future by the time they leave college has never been stronger. Children and young people encounter money earlier and earlier in life, and as a result have to learn to make earning, saving and spending decisions earlier. Crucial decisions have to be taken about consumer credit, cars loans, getting a job or living independently. We owe it to the next generation to invest in their future.

As a parent, you are in the ideal position to mentor and nurture your children, to help them grow in financial responsibility. Because every young person is unique, every parent needs to find her own solution to meeting the requirements of her child. It is my sincere belief that financially literate parents provide the most effective route to young people becoming financially capable, as parents know their children best and

understand how to integrate personal finance lessons into their lives. Through your willingness to engage with the material in this book, discuss it with your child and lead by example, you are guaranteeing that your child will receive the best financial preparation that she can have for the real world.

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

To your prosperity and happiness,

Tiffany Tang

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Chapter 1

What Is Money?

About 9000 years B.C., during the Stone Age, people discovered farming and began to trade. People started trading items they have for a living. They could sell the food they didn't need in order to buy other things. For example, one dozen of eggs can be swapped for 4 bottles of milk. It depends on both parties having something the other one wants. This is called **bartering**. There were problem with bartering. You have to find someone who wanted what you had and had what you wanted.

Jason: I have a barrel of wheat. I want to swap with you for a sheep.

Christopher: No. This is not fair. My sheep is more valuable.



You see the conversation earlier. The argument will continue until both parties agree at some level. Slowly, as society produced more goods and different people produced different goods, a commonly understood store of value was needed. **Money** was therefore invented. In today's economy, we call it **currency**.

From 1,200 B.C to 50 B.C different currencies were invented around the world. The Chinese used a type of shell called Cowrie shells and metal tools as money, Native Americans used polished volcanic rock. Using objects as currency gave traders a way of paying for things. They no longer had to find someone who wanted what they had and had what they wanted. But, there were still problems. Objects were not easy to divide into

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smaller amounts (to give people change). With so many different types of currencies, people couldn't always agree on what things were worth.



Chinese Cowrie Shell Money from the 16-8th Century BCE



Polished Volcanic Rock

Anthony: It cost me 5 shells to buy this vase.
So I want 5 stones.

Joseph: 1 stone is more valuable than 1 shell.
I'm only willing to pay for 3 stones.

The Keys To Great Money Management

Great money management begins with the understanding and building proficiency in a variety of financial strategies. It also requires adopting good spending habits as well as a sound savings and investment plan that will provide for a more balanced and complete life.

The beginning of all of this is the creation of a personal budget, which is one of the hardest things that people can do for themselves, but it is also one of the most rewarding. A lot of people are intimidated by the idea of a budget because it seems complicated. It's not. A budget is just a simple plan to help you handle your money. It helps you to control what you spend or don't spend. It also helps to organize and prioritize your spending so that you can achieve your goals and dreams.

When you learn to do your personal budget, it helps you to understand what your financial position is. It is also the fundamental skill to lead you to reading a company financial statement which has a more complex structure.

Personal Budget Template

If you're still a little bit intimidated by the process or you're not sure where to start, use this handy budget template to help you get started. You may modify the template to suit your needs. A personal budget consists of 2 main statements – Income Statement and Balance Sheet. I will explain it in a simpler manner instead of conventional of double entry of Debit and Credit method.

MONTHLY INCOME STATEMENT		
	<u>Description</u>	<u>Amount</u>
<u>Income</u>		
Salary	_____	_____
Pocket Money	_____	_____
Interest Received	_____	_____
Dividends	_____	_____
Business	_____	_____
Total Income (A)		_____
Savings (B)		
	_____	_____
<u>Expenses</u>		
Rental	_____	_____
Food Cost	_____	_____
Clothing	_____	_____
Petrol	_____	_____
Parking and Toll	_____	_____
Car Loan	_____	_____
Car Maintenance	_____	_____
School Fees	_____	_____
Insurance	_____	_____
Water and Electricity	_____	_____
Telephone & Internet	_____	_____
Total Expenses (C)		_____
Budget Surplus/(Deficit) (A-B-C)		_____

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

Personal Budget Planning

Income Statement

An Income Statement also referred to as Profit & Loss Statement. Those who study Accounting or Finance will also know that in the new International Financial Reporting Standard Board, the term has been changed to Statement of Comprehensive Income. There are no changes to the format. However, commonly people still prefer to call it Income Statement or P&L in short. An Income Statement covered information for a period of