

Chapter 1:

What Is Finance?

Money—anything acceptable that can be used to exchange for goods and services

Goods—real items that can be seen and touched

I love to teach about **money** because money is valuable and useful. It has become an important part of our everyday lives. Money enables us to buy **goods** like video games, clothes, books, and smartphones. Many people enjoy shopping. With money, you can buy many of the things you want.



Finance 101 for Kids

Services—work that is provided by another person

Spend—using your money for payments or purchases

Save—setting aside your money for future use

Money also allows you to obtain **services**. Your parents pay a mechanic to repair the car, a gardener to mow the lawn, a plumber to fix a water leak, and a doctor to check on you when you get sick. You may not know this, but the electricity, the cable TV, and the Internet services you use at home are available to you because of money.

When you receive money, you have a choice to either **spend** it or **save** all or some of it for the future. There is nothing wrong with spending money, especially for buying goods and services you truly need; however, saving money is also very important because it helps you prepare for the expensive items you need to purchase in the future such as a college education, a car, and a house. More importantly, saving money allows you to better handle unexpected expenses and emergencies that can happen in the future.



What Is Finance?

Investing—*putting money somewhere it can grow*

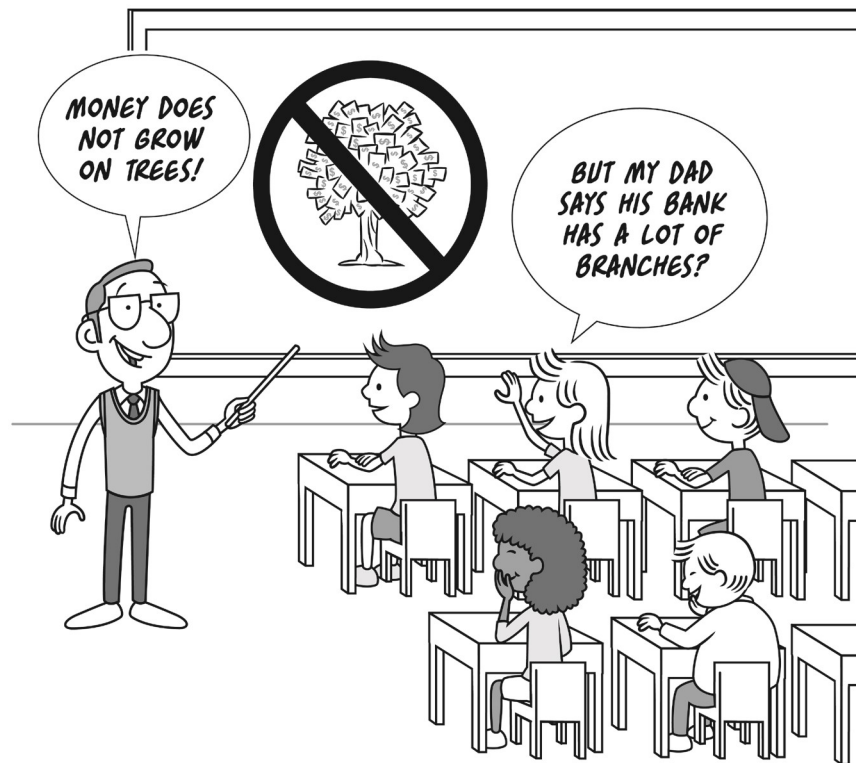
Savings—*money set aside for future use*

Charities—*organizations that provide help for those in need*

What is exciting about money is that it can grow when it is put in the right place. This is called **investing**. Any person, young or old, can invest **savings** and earn more money. The sooner you start to invest your money, the bigger your savings can grow over time.

Here is the best part. Besides spending, saving, and investing, did you know that money empowers a person to help a community? With money, you can support **charities** and make a difference in someone's life. It surely feels great when you are able to help someone and contribute to a worthy cause. You'll learn more about this later.

Because there are so many wonderful things you can do with money, nearly everyone dreams of having lots of money. But money is not easy to come by. Have you heard of the expression "Money does not grow on trees"? This means money is not something you can easily get like picking an apple from a tree. People need to work in order to earn money.

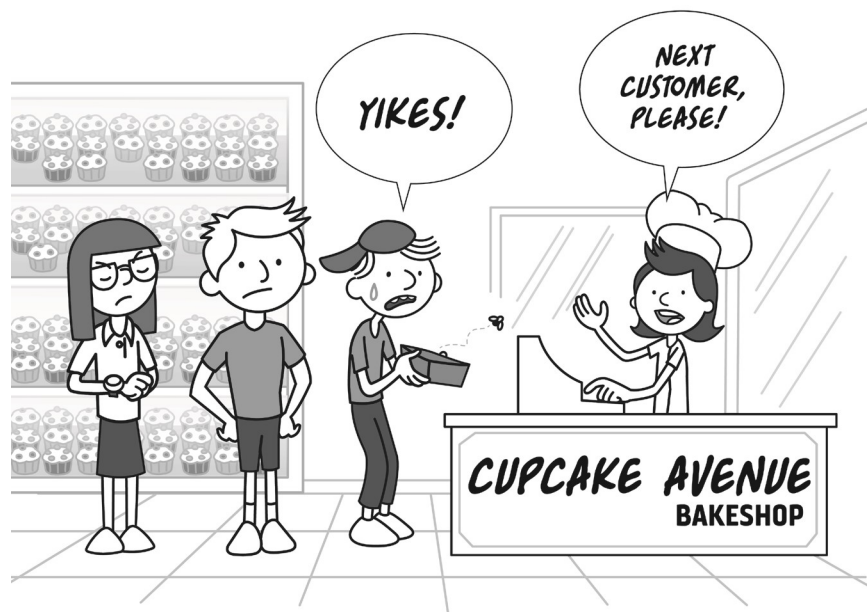


Are your parents working? Most parents work for a living. Grownups normally work eight hours a day, five days a week. Some work even longer than that. Making money takes a lot of time, energy, and skill. But the rewards of having a job can be far more than just making money. Helping to create something, giving back to the community, handling an interesting service—all of these and more are good things that come from having a job.

What Is Finance?

Investments—something that you purchase with the hope that it will provide income or will be more valuable in the future

But there are also some not-so-good realities you need to face when dealing with money. When someone buys more than what he or she makes, that person could end up with no money in the future. Sometimes, people can also lose money when they put their savings into the wrong **investments**. When you don't properly manage and protect your money, you can lose it. You get stressed out when you lose that hard earned money—especially when you cannot buy the things you need.



Finance 101 for Kids

Finance—the way money is obtained, managed, and used

Learning how to make money and how to take care of your earnings is a responsibility that you cannot take for granted. This is where the knowledge of **finance** becomes very useful. Finance, in a nutshell, is the process of managing money. Learning finance will help you make good choices when it is time for you to decide on how you will earn and make money. More importantly, understanding how money works allows you to make smarter decisions as you spend, save, and invest your money.

This is a great day to learn finance! There is more to come in the following chapters.