

A message from Minnwest Bank about Teens and Money.

This month we want to challenge you with a test! It's one given to high school seniors to determine their financial literacy. Slightly over 50% of the questions were answered correctly by the students. We need to get this percentage higher if future generations are to make sound financial decisions.

Take the test yourself. Then use it as a starting point for all that important talk with your teens and young adults. . . the money talk! This crucial discussion is often avoided by parents. When it comes time to talk to their children, 27% of parents say they would rather talk about the birds and the bees or dating than money and finances. Hopefully, this issue of the *Community Connection* will get your household talking about finances with your older children.

Don't forget our Minnwest program for younger kids up to age 13, Milo's Money Magic Savings Club.

Good luck with the exam!

Can you pass this test?

Match your financial knowledge against high school seniors.

The Jump\$tart Coalition for Personal Financial Literacy ([Jump\\$tart.org](http://Jump$tart.org)) produced a 2006 Financial Literacy Quiz for high school seniors. The student participants averaged 52.4% correct answers. That's just slightly over one-half of the 30 questions that they answered correctly.

You can take the exact same test to see how you fair against them. Or, test your own young adults to determine their financial literacy. Then, use it as a point of discussion. According to the American Savings Education Council, 94% of students say that they are likely to use their parents as a source of financial information. Use this opportunity to instruct and influence their financial futures!

We have shortened the original 30 question quiz to 15. The answers are printed on the back of this issue along with the percentage of students who answered question correctly.



1. Matt and Eric are young men. Each has a good credit history. They work at the same company and make approximately the same salary. Matt has borrowed \$6,000 to take a foreign vacation. Eric has borrowed \$6,000 to buy a car. Who is likely to pay the lowest finance charge?

- A. Matt will pay less because people who travel overseas are better risks.
- B. They will both pay the same because they have almost identical financial backgrounds.
- C. Eric will pay less because the car is collateral for the loan.
- D. They will both pay the same because the rate is set by law.

2. If you went to college and earned a 4-year degree, how much more money could you expect to earn than if you only had a high school diploma?

- A. A little more; about 20% more.
- B. A lot more; about 70% more.
- C. About 10 times as much.
- D. No more; I would make about the same either way.

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3. Many savings programs are protected by the Federal government against loss. Which of the following is not?

- A. A bond issued by one of the 50 States
- B. A U. S. Treasury Bond
- C. A U. S. Savings Bond
- D. A certificate of deposit at the bank

4. Which of the following instruments is NOT typically associated with spending?

- A. Cash
- B. Credit card
- C. Debit card
- D. Certificate of Deposit

5. Which of the following credit card users is likely to pay the GREATEST dollar amount in finance charges per year, if they all charge the same amount per year on their cards?

- A. Vera, who always pays off her credit card bill in full shortly after she receives it.
- B. Jessica, who only pays the minimum amount each month.
- C. Megan, who pays at least the minimum amount each month and more, when she has the money.
- D. Erin, who generally pays off her credit card in full but, occasionally, will pay the minimum when she is short of cash.



6. Which of the following statements is true?

- A. Your bad loan payment record with one bank will not be considered if you apply to another bank for a loan.
- B. If you missed a payment more than 2 years ago, it cannot be considered in a loan decision.
- C. Banks and other lenders share the credit history of their borrowers with each other and are likely to know of any loan payments that you have missed.
- D. People have so many loans it is very unlikely that one bank will know your history with another bank.

7. Doug must borrow \$12,000 to complete his college education. Which of the following would NOT be likely to reduce the finance charge rate?

- A. If his parents took out an additional mortgage on their house for the loan.
- B. If the loan was insured by the Federal Government.
- C. If he went to a state college rather than a private college.
- D. If his parents co-signed the loan.

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Have the “Money Talk” with teens.

According to one study, teens spend \$125 billion each year. Parents are under increasing pressure to ensure that their kids understand financial basics and are able to make wise spending decisions.

TrueCredit.com, a division of credit reporting agency TransUnion, reports that nearly one in five adult survey respondents noted that they have never spoken with their kids ages 4-18 about money basics. To avoid raising a new generation of over-spenders with hefty debt loads, TrueCredit recommends that parents have the “money talk” with their children.

5 Money Talk Ideas:

1. A good way to get your teen accustomed to budgeting is with their own checking or savings accounts. You can serve as a joint or custodial account holder.
2. Explain how credit works. Sit down with your teen each month and go over credit card bills and receipts to show them how fast their charges can add up.
3. Show them an actual credit report and explain how it can impact their spending habits and lives, whether it is future interest rates on loans or even the insurance premiums they will pay.
4. Explain money mistakes you’ve made and the consequences from them.
5. Tell them they must learn from their own money mistakes, rather than you bailing them out.

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8. Which of the following types of investment would best protect the purchasing power of a family's savings in the event of a sudden increase in inflation?

- A. A 25-year corporate bond
- B. A house financed with a fixed-rate mortgage
- C. A 10-year bond issued by a corporation
- D. A certificate of deposit at a bank

9. Which of the following statements best describes your right to check your credit history for accuracy?

- A. Lenders.
- B. You can only check your record for free if you are turned down for credit based on a credit report.
- C. Your credit record can be checked once a year for free.
- D. You cannot see your credit record.

10. Your take home pay from your job is less than the total amount you earn. Which of the following best describes what is taken out of your total pay?

- A. Federal income tax, social security and Medicare contributions
- B. Federal income tax, sales tax and social security contribution
- C. Social security and Medicare contributions
- D. Federal income tax, property tax, and Medicare and social security contributions

11. Many people put aside money to take care of unexpected expenses. If John and Jenny have money put aside for emergencies, in which of the following forms would it be of LEAST benefit to them if they needed it right away?

- A. Stocks
- B. Savings account
- C. Invested in a down payment on the house
- D. Checking account

12. Justin just found a job with a take-home pay of \$2,000 per month. He must pay \$800 for rent and \$200 for groceries each month. He also spends \$200 per month on transportation. If he budgets \$100 each month for clothing, \$150 for restaurants and \$250 for everything else, how long will it take him to accumulate savings of \$900.

- A. 1 month
- B. 2 months
- C. 3 months
- D. 4 months

13. If your credit card is stolen and the thief runs up a total debt of \$1,000, but you notify the issuer of the card as soon as you discover it is missing, what is the maximum amount that you can be forced to pay according to Federal law?

- A. nothing
- B. \$50
- C. \$500
- D. \$1,000

Minnwest Accounts for Young Adults.



Get your older teens and young adults set-up with some great starter accounts from Minnwest Bank.

Thrift Savings Account

This is a solid starter savings account with a low minimum balance requirement of \$50. It's a good way to teach them how to maintain a balance in their account and watch their spending.

Automatic Savings

If your young adult has a part-time job or has entered the workforce full-time, encourage them to think about Automatic Savings.

Minnwest will automatically transfer a specific amount from checking to savings each month. They can save as little as \$25 a month which will add up over time. Get them in the savings habit now and they'll be set for life.

Simply Free Checking

Here's a good basic account that's ever so popular. There are no minimum deposits to maintain. No service charges to worry about. The only requirement is a \$100 deposit to open the account.

Online Banking

Your young adults will love Minnwest's online banking. It's fast, convenient and they can handle transactions safely right from their computers.

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14. Which of the following statements is NOT correct about most ATM (Automated Teller Machine) cards?

- A. You can get cash anywhere in the world with no fee.
- B. You must have a bank account to have an ATM Card.
- C. You can generally get cash 24 hours a day.
- D. You can generally obtain information concerning your bank balance at an ATM machine.

15. If you are behind on your debt payments and go to a responsible credit counseling service such as the Consumer Credit Counseling Services, what help can they give you?

- A. They can work with those who loaned you money to set up a payment schedule that you can meet.
- B. They can force those who loaned you money to forgive all your debts.
- C. They can cancel and cut up all of your credit cards without your permission.
- D. They can get the federal government to apply your income taxes to payoff your debts.

To take the entire test, go to <http://bit.ly/HXJK9>

Answers:

- 1. C. - 52.7% of high school students got this question correct.
- 2. B. - 63.9% of high school students got this question correct.
- 3. A. - 28.6% of high school students got this question correct.
- 4. D. - 93.5% of high school students got this question correct.
- 5. B. - 70.6% of high school students got this question correct.
- 6. C. - 70.9% of high school students got this question correct.
- 7. C.- 30.4% of high school students got this question correct.
- 8. B. - 44.6% of high school students got this question correct.
- 9. C. - 50.1% of high school students got this question correct.
- 10. A. - 53.0% of high school students got this question correct.
- 11. C. - 42.7% of high school students got this question correct.
- 12. C. - 66.3% of high school students got this question correct.
- 13. B. - 15.1% of high school students got this question correct.
- 14. A. - 66.8% of high school students got this question correct.
- 15. A. - 67.1% of high school students got this question correct.



IRA changes may affect those taking distributions.

The Emergency Economic Stabilization Act of 2008 and the Worker, Retiree and Employer Recovery Act of 2008 made some changes to IRAs. Both of these acts were signed last year. If you have a Traditional or a Roth IRA and you are taking your required minimum distribution, that distribution requirement is waived for 2009. That means you are not required to take your IRA distribution for this year. This not only affects IRA holders but beneficiaries of deceased IRA holders as well.

In addition, both Traditional and Roth IRA holders and their beneficiaries who are 70½ and older may exclude qualified charitable distributions of up to \$100,000 from their gross income for years 2006-2009.

While there are other waivers, these two affect the most IRA holders. The others involve Exxon Valdez settlement payments, bankrupt airline settlements and disaster relief. If you'd like to know more about those waivers, contact your tax or retirement consultant, or ask a Minnwest Banker.

Your situation is unique, please consult with an appropriate advisor before making any decisions based on this information. While all information was obtained from resources believed to be reliable, Minnwest Bank and its marketing affiliate cannot guarantee that the information is complete or accurate. Minnwest Bank's Community Connection is intended to provide general information only and should not be construed as legal, accounting, tax or other professional advice.