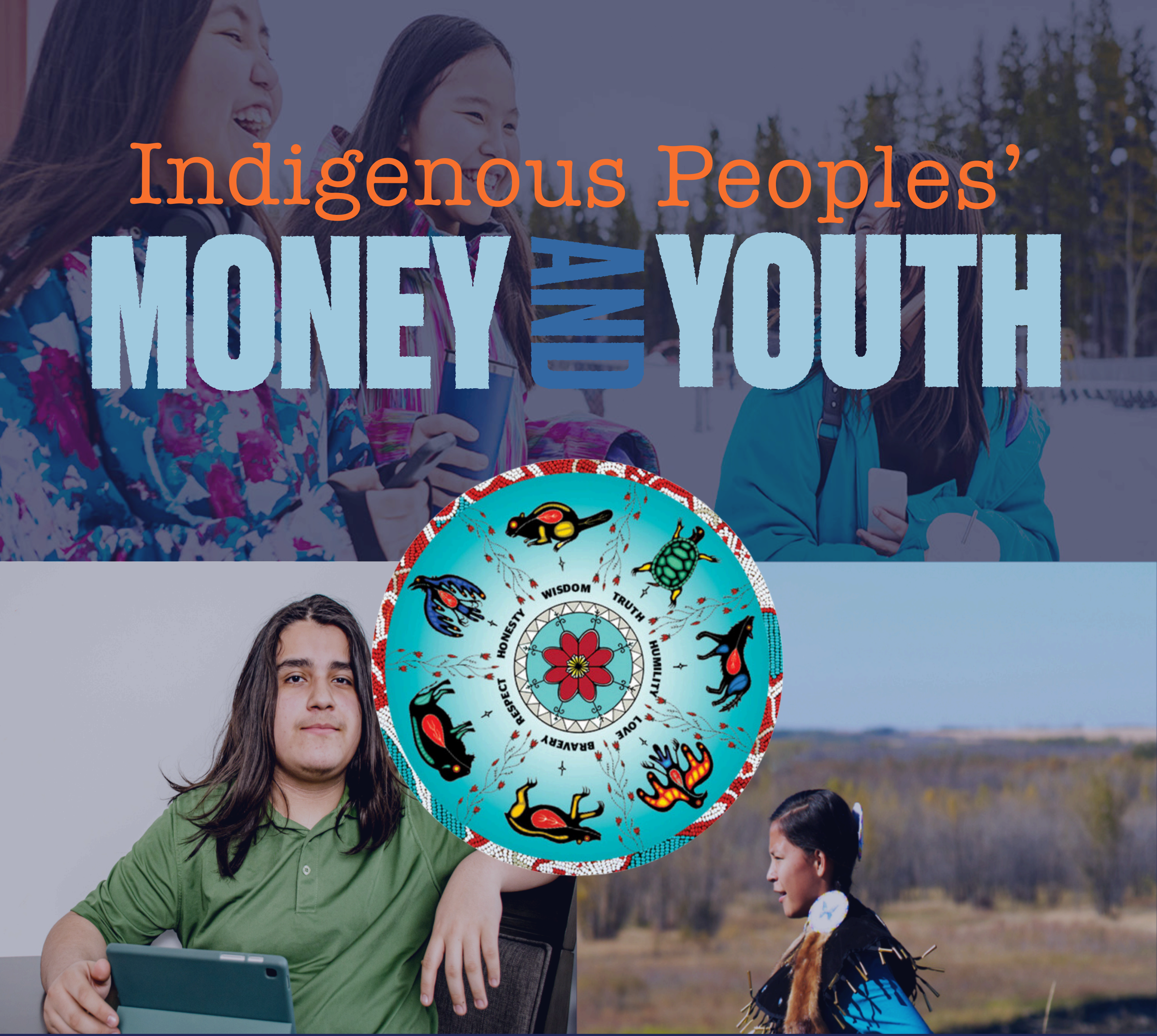
Indigenous Peoples' MONEY AND YOUTH



Caregiver's Guide

Module 11 - Borrowing Money

CFEE
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In Partnership WIth
IG WEALTH MANAGEMENT

Caregiver’s Guide – Indigenous Peoples’ Money and Youth

Module 11 – Borrowing Money

Why is this important?

Youth are not usually prime candidates for borrowing money. However, as they enter their upper teens, want to borrow from mom or dad to buy a specific item such as a cell phone or an iPad. If so, these are opportunities to help them understand the cost of borrowing money. This is an important step as they will soon face situations where, by necessity, they will have to borrow money, be it student loans, purchasing a car, or, down the road, moving to the city/town. Knowing what is involved in borrowing money will be an important factor in ensuring that they maintain a sound financial footing.

Learn About

What can affect your cost of borrowing?

Compare:

1. The difference between paying 3% for a $2,000 loan over two years versus paying 5% for the same loan for two years.
2. The difference between paying off a $3,000 loan at an interest rate of 7% over two years versus paying off the same loan over four years.
3. The difference in total cost for a $4,000 car (a) with a $2,000 down payment and financing $2,000 over three years at 4% versus (b) financing the entire $4,000 over four years at 8%.

How About You?

Is there one special thing in life you are hoping to have some day? Have you thought about how you might get it – or the trade-offs you might have to make to get it?

Ways to engage young people and fun things to do:

Borrowing money is a serious business. We can help our children by giving them knowledge and skills that will start them in a good position when they need to borrow money. They need to understand the real reasons for borrowing, the various types of debt and credit and the true cost of borrowing that money.

How About You?

Do you know people who have gone into debt for 3-5 years of education and who wish they had made a different decision? Are you getting the help and guidance you need to make good investments in you? Are you exploring all your options? Are you aware of all your options?

1. Sit down with your son or daughter and ask them if they can imagine a time when they will have to borrow money. Ask them what that might be and then discuss with them the legitimate reasons for borrowing and how they could go about it. Talk to them about your borrowing habits and make real comparisons of what was positive or negative for you.

2. Do you have a credit card? If yes or no talk to them about why and how. Ask them if they think having a credit card is a form of debt. Once it is determined that it is, compare different credit cards with them and examine what the true cost of borrowing money would be by comparing the terms and rates of various cards.

Skoden! Stoodis!

Think about our Seventh Generation teachings. The Seventh Generation teachings today are about the decisions being made about our resources, and ensuring those decisions are sustainable for seven generations in the future.

3. Ask your child to explain interest rates and, when they have done that, examine the actual cost of borrowing that money by looking at the rate and term of a loan. Once you have determined the actual cost of the loan, discuss whether or not that loan was worth it.

4. Watch the attached online video and discuss it with your child - https://bettermoneyhabits.bankofamerica.com/en/personal-banking/preparing-your-child-to-make-borrowing-decisions

Additional Background and Related Websites and Resources:

- How to Teach Your Kids About Borrowing Money - https://www.kidsmoney.org/parents/borrowing/
- Teach kids about Borrowing Money - https://www.familyeducation.com/teens/values-responsibilities/teach-kids-about-borrowing-money
- Preparing Your Child To Make Borrowing Decisions - https://bettermoneyhabits.bankofamerica.com/en/personal-banking/preparing-your-child-to-make-borrowing-decisions
- Helping Your Teen Make Spending Tradeoffs - https://bettermoneyhabits.bankofamerica.com/en/personal-banking/smart-teen-spending