



Perfectcents

A family's guide to teaching children to be money smart

Number 12

One way to practice being money smart at home

Start with food. That sounds easy. Everybody eats, right?

What happens as you steer your cart down the aisles of the grocery store? You see something that looks good – granola bars that taste like s'mores. Great! Throw a couple boxes in the cart. Ooh, and ketchup's on sale. Grab three bottles. What would life be without ketchup? And there are those new jalapeno-cheddar-and-garlic chips you've been wanting to try. You scoop up a few bags and dump them in the cart. And soda, don't forget the soda. They're four packs for \$10.00 – a real steal.



Time out... Forget for a moment that you have half a cartful of stuff, and not a single nutrient in sight. Let's just look at cost.

\$6.98

for two boxes of granola bars.

\$6.75

for three bottles of ketchup.

\$8.69

for two bags of chips.

\$10.00

for soda.

Okay you math whizzes, what's the total? **\$32.42.**

Now consider this: you're up past \$30, and you haven't bought anything like meat, eggs, milk, cereal, veggies, or fruit – you know, real food that keeps the family going.

How much does your family spend on groceries a week? I bet you don't know. Could you guess? Take the *What's It Cost?* quiz to see how good you are at estimating prices.

Spending on impulse

If you just go up and down the aisles, buying on impulse – you see an item, it looks good, you throw it in the cart – you can really run up a bill. Under this system, you just spend until you get to the checkout. Then you pay what you owe and load it into the car.

Well, that's fine if you have unlimited funds, but few of us do. When you buy on impulse, you spend more than you should, and you buy stuff you don't really need. You're not *controlling* your money. You're *surrendering* it to cool-looking packages, juice bottles with sports stars on the labels, and cereal boxes that promise great gadgets.

Spending your way through life

Some people go through life just the way they go through the grocery store. If the item's been advertised, if it looks cool, and they want it at that moment, they buy it – often before they consider if they need it, if it's worth the price, or even if they will really use it. These are the people with monster credit card debt and little savings. They can never quite figure out why they're always broke. There is another way to handle money. To find out more, take *The Grocery Challenge* on the back.

What's it cost?

Test your pricing smarts. Estimate the cost of everyday things. Then add them up.

Talk to the parent who does the shopping to check your guesses or look at the ads in the newspapers to find prices. **How did you do?** Are you close or clueless? Not much food here if you had to live on it for a week, but look at the dollar amount.



Family size ketchup:	\$ _____
3 pounds hamburger:	\$ _____
3 frozen pizzas:	\$ _____
2 gallons of fruit juice:	\$ _____
Big bag of pretzels:	\$ _____
1 gallon of ice cream:	\$ _____
6 sports drinks:	\$ _____
1.5 pounds of lunch meat:	\$ _____
2 loaves of bread:	\$ _____
1 jar of peanut butter:	\$ _____
4 rolls of toilet paper:	\$ _____
TOTAL EXPENSES:	\$ _____



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Take the grocery challenge!



Think of it like a reality TV show. **Here's how it works.**

- 1) Look at some old grocery receipts to get an idea of what things cost – especially if your score on the *What's It Cost?* quiz says you're pretty clueless.
- 2) As you check out old receipts, look for Dollar Destroyers that really run up your bill. They aren't allowed.
 - Things you bought but you could have lived without.
 - Things that cost more than they were worth, like lunch-size bags of chips. You could buy a big package and bag your own.
 - Things that ads tempted you to try but weren't as good as they sounded.
- 3) Your goal is to buy essentials first: meat, veggies, fruits, dairy, bread, and basic snack items. Make a list of these items, estimate the cost of each, and write it next to the item. Add up your estimates. That's your target total for one week's worth of groceries.
- 4) You and your parent partner-shopper pledge that you will not spend any more than the target total.
- 5) In the store, do some math each time you add items to the basket. If you find you're spending more than your target total, take action. Put something back on the shelf? Switch to a generic or store brand? Switch to a brand that's on sale?
- 6) Any item you want that's not on your list put on the bottom of the cart. If you have money leftover, you can figure out what you can keep and still stay under your target total.



The object of the game

Know the basic amount. *The Challenge* shows that money is limited, and you have to make choices. Now you know the basic cost of feeding your family for a week. Sure, the amount may change a little depending on whether you buy hamburger or pork chops, but the number should stay pretty much same, give or take \$10.

Add a few non-essentials. Once you know about how much you spend for basics, you can add some non-essentials: soda, chips, pizza, ice cream bars. You're creating a new target total, the number you aim for as you shop in the upcoming weeks. And you know what? You'll be spending less. How much less?

Count up the savings. Compare your new target total to the old grocery receipts, and subtract. Now multiply the savings by 4 to find what you save in a month. Multiply that number by 12 to see what you save in a year. Suddenly you've got money to do other things with!

Moving down the aisle of life

Fast facts for parents

Playing *The Grocery Challenge* encourages young people to stop and think before they spend – a habit best started when kids are young, so they avoid putting themselves at risk later on in life. The sad fact is that buyers don't think enough before they buy. Look at the numbers –

- America's consumer debt has topped 2 TRILLION for the first time ever. Personal debt has doubled over the last 10 years.*
- In our parents' day, the "best customer" was the one the lender could trust to pay off a loan. Today, the "best customer" is the customer who will *never* pay off the loan.* Credit card companies are earning 30-40% of their income from late fees and over-the-limit-fees.*



- When lending rates hit all-time lows, instead of using lower rates to save money, people spent more. As one economist described it, *"If you cut interest rates, I'll get a bigger car."*#
- Experts' warnings are dire: When the nation's debt bubble bursts, it has the potential to "dwarf" the bursting of the US stock market bubble in 2000.*



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- CNNMoney didn't pull any punches: *"The American consumer has become deeply addicted to spending, running up ever higher levels of debt to live... beyond his means... [to] keep on living in the manner [he] became accustomed to during the boom years. As one economist put it, "The US economy is just awash in debt."*#

Taking the time to play *The Challenge* with your kids helps them evaluate spending and recognize that money is limited. It's an insight that translates easily to other consumer areas: clothes, music, shoes, games, etc. Playing *The Challenge* will give kids the savvy to avoid the "have-it-all" road that advertisers have paved so well for young people.

The Northwestern Mutual Life Insurance Company • Milwaukee, WI
www.nmfn.com

* William Branigin, US Consumer Debt Grows at Alarming Rate, washingtonpost.com, January 12, 2004.

Justin Lahart, Spending our way to disaster, money.cnn.com, October 3, 2003.

* Joanne Laurier, US consumer debt reaches record levels, wsws.org, January 15, 2004.