FAMILY DISCUSSION QUESTIONS

TALKING ABOUT BUDGETING AND MONEY

Ever wonder why it's called personal finance? It's obvious, right? It's personal. We all hold our own values and beliefs about money, which is why it's important to talk with your family about finances and planning for the future. The thing is, money can be tough to talk about for a lot of people, including parents. The questions below can help get the conversation started and help you plan your financial future.

- How can I earn money? What kind of jobs can I do now? What kind of jobs could I do in the future?
- What do you think about credit cards? If you have credit cards, how did you decide which ones to open? When do you think young people should get credit cards and why?
- What expectations or hopes do you have for me around money
- What kinds of mistakes do you hope I avoid?
- What do you think about paying for college? What responsibilities will I have for my education? How can we find out more about my options as a family?
- What financial tips and recommendations do you have for me?
- Do you have any money role models? Who are they and why?

TIPS:

Weigh your wants: whenever you're getting ready to make a big purchase, challenge yourself and ask, "Do I want it?" or "Do I need it?"

Every action has a reaction: whether good or bad, remember that every choice we make with our dollars defines our financial future. Even small choices like bringing a lunch instead of buying it or splurging on a new video game, leave an imprint on our financial path.

Save for now, save for later: set aside at least 10 percent of your earnings to build a rainy day fund to cover unexpected and changing expenses.

H&R BLOCK® BUDGET CHALLENGE®

DON'T BE THAT GUY WHO USES MONEY LINGO WITHOUT UNDERSTANDING IT

A GLOSSARY OF TERMS

Auto Insurance: A type of insurance used by vehicle owners to cover costs associated with car accidents.

Budget: A chart that documents how much money an individual earns and spends.

Cash Flow: The relationship between income and expenses in a budget. For example, if you spend more money than you have coming in, you have negative cash flow.

Certificate of Deposit: A savings vehicle offered through banks with a set maturity date. For example, if you put $5,000 into a five-year CD, you cannot withdraw the money until the five-year maturity date without facing penalties. However, interest rates are usually higher in CDs than traditional savings accounts, making them desirable for longer-term savings.

City Income Tax: Money collected by some city governments to be used for city public services, such as sidewalks and city water systems.

Credit: The ability to purchase goods or services with the promise to pay for it at a later time.

Creditworthiness: Demonstrating trust in repayment of borrowed money.

Credit Card: A plastic card that allows an individual to make a purchase on credit.

Debit Card: A plastic card that allows an individual to make a purchase using funds from his or her bank account(s).

Deductions: Money withheld from a paycheck for tax or savings purposes.

Expenses: Money spent on items and bills.

Federal Income Tax: Money collected by the federal government to be used for a variety of national public services, such as the military, national parks and monuments.

Fixed: Income and expenses that are the same each month.

Flexible: Income and expenses that vary each month.

Gross Income: Total pay before deductions.

Health Insurance: A type of insurance that minimizes financial risk related to medical expenses. Many employers offer health insurance as part of a benefits package to employees.

Income: Money earned through employment.

Individual Retirement Account: An investment tool for individuals to save for retirement. There are two different types of IRAs for individuals: Traditional and Roth.

Life Insurance: A type of insurance that protects against the loss of income as a result of an individual's death.

Medicare Tax: Money collected by the federal government to provide health insurance benefits in retirement, and to certain individuals with disabilities or serious illnesses.

Mutual Funds: An investment vehicle that pools investor money to purchase securities like bonds and stocks.

Net Income: Total pay after deductions, commonly referred to as take-home pay.

Paycheck: A check given to an employee for earned income.

Paystub: A statement that accompanies a paycheck highlighting earned income and deductions.

Pay Period: The range of dates an employee works.

Savings: A traditional savings account where money is deposited directly from gross pay. A direct-to-savings deduction is optional, but many people find it helpful because it ensures a set portion of each paycheck is set aside for savings.

Savings Account: A secure bank account that provides modest interest rates.

Social Security Tax: Money collected by the federal government to provide financial benefits needed in retirement and for the disabled.

State Income Tax: Money collected by some state governments to be used for state public services, such as education and state road maintenance.

W-2: A year-end earnings statement prepared by employers showing total earnings and deductions withheld from an employee's salary for one year. Employers provide this statement to employees who then use it to complete their tax returns.

W-4: A withholding tax form completed by a new employee that tells the employer the amount of taxes to withhold from an individual's paycheck. An employee provides this statement to an employer. It is not used to prepare a tax return.

401(k): A type of retirement savings account where money is deposited directly by an employer and is not federally taxed until withdrawn in retirement. Individuals can choose how much to invest in a 401(k) and, as a benefit, some employers offer to match the amount of money employees contribute.