

IN THIS ISSUE

Seven Strategies That Could Improve Your Financial Position

PAGE 4

What a High School Principal Teaches His Kids About Money

PAGE 8

From Wedding Bells... To Babies

PAGE 11

YES YOU CAN

FALL 2011

FINANCIAL EDUCATION FROM AMERICAN CENTURY INVESTMENTS®

The information in *Yes, You Can* is provided to help parents, educators and kids work together to understand key financial concepts. *Yes, You Can* stresses critical thinking and problem solving that helps young people develop basic economic, financial, personal and career development skills.

Yes, You Can is based, in part, on the beliefs of James Stowers, founder of American Century Investments and co-founder, with Virginia Stowers, of the Stowers Institute for Medical Research.



Ideas for achieving financial security and a more meaningful life.

Learning What it Takes to be Employable

As students reach the end of their high school years, many experience a bit of study fatigue. The temptation to quit school for a full-time job is heightened by the lure of earning an immediate income. However, the certainty of long-term employment at a minimum wage job can be fleeting. Moreover, these jobs may be the first to go during economic downturns.

In the long run, most teenagers could benefit from staying in school and completing some type of advanced degree or certification. Doing so strengthens their prospects of earning progressively higher salaries as they get older and gives them the opportunity to learn new skills. According to the the College Board Education Pays 2010 Study, the median earnings of bachelor's degree recipients working full-time, year-round in 2008 were \$55,700, which is \$21,900 more than median earnings of high school graduates.

While unemployment statistics remain high, a report from the Bureau of Labor Statistics shows that in the summer of 2011, the highest percentage of the unemployed held less than a high school diploma (13 percent) followed closely by high school graduates with no college (10 percent). The lowest percentage reported was workers with bachelor's degrees and higher (4.5 percent). These findings are punctuated by a Brookings Institute survey in January 2011 that reports one in three people in the U.S. with less than a high school diploma was either unemployed or under-employed.

CONTINUED ON PAGE 2



YES YOU CAN

Yes, You Can is the quarterly publication of Yes, You Can Financial Education from American Century Investments.

Subscriptions

Help spread the message of financial literacy. Annual subscriptions are available free of charge at: YesYouCanOnline.info.

For more information, please call 1-800-234-3445 or write:

Sam Goller, Editor
4500 Main
Kansas City, MO 64111

Writers

Debbie Hagen
Susan Pepperdine
Shelley Bartkoski

Illustrations

Paul Coker, Jr.

This information is for educational purposes only and is not intended as investment advice.
© 2011 American Century Proprietary Holdings, Inc. All rights reserved.

Employable continued from cover

Statistics show that workers with higher education have a greater chance of finding employment, even when the overall economy is struggling. But getting into a college or university takes some preparation. Students should begin early giving careful consideration to their grades and class schedules. While state college and university admissions requirements vary, most have specific guidelines regarding ACT or SAT scores; overall GPA; curriculum studied in high school; and, criteria for admission with a GED or home school education.

If a four-year college isn't a consideration, there are many career opportunities that begin with the completion of an associate's degree, technical school or on-the-job training programs. While these paths may not lead to the highest paying jobs, they can close the salary gap and offer rewarding careers in many interesting, and often highly specialized, work environments. □



Teachable Moment

Before your student reaches high school, help frame the importance of setting career goals by finding out what he or she is interested in and talking about what it takes to prepare for that specific area of study. Encourage your student to take advantage of shadowing opportunities or internships that provide an in-depth look at an actual day-on-the-job. As your student nears his or her senior year, offer to set up visits to nearby college campuses and schedule time with an advisor so your teen can get a better idea of what it will be like to enter the college environment.

Make Sure Your College Degree is Worth Your Investment

With the increasing costs of attending college and the decreasing number of job opportunities in certain careers, students and their families need to make sure their decision doesn't end up putting their economic future in jeopardy. The key to making a college degree worth the investment is settling on a career choice that will provide the wage level you are seeking, and then finding a college with a tuition rate that makes the most financial sense.

For Emily, a top student from a mid-sized Midwestern community, going to college on the East Coast was her dream since middle school. She wanted to study dance in hopes of joining a national ballet company in New York. However, after researching the costs of attending her chosen out-of-state university – along with housing and

related expenses – and determining her potential earning power upon graduation, Emily realized that the amount of debt she would owe could take her years to repay and have a weighty affect on her lifestyle.

According to a study by the Georgetown University Center on Education, getting a college degree in any major is worthwhile. Depending on the chosen degree, the lifetime earnings advantage range from just over \$1 million for engineering majors to \$241,000 for education majors. And while both of these numbers seem impressive to a 17- or 18-year-old high school student, if you factor in the cost of getting that degree, the resulting debt could seriously erode the financial gain. □

Finding balance between what you pay for your education and what you'll earn once you graduate

According to the latest statistics from the College Board, the average cost of tuition and fees for a public four-year college is \$7,605 per year for in-state students and \$11,900 for out-of-state students. Private, nonprofit four-year colleges average \$27,293. This doesn't include the cost of books, housing, food or any other expenses. The U.S. Department of Labor Occupational Outlook Handbook provides current data on the education requirements, working conditions and earnings power of hundreds of different career choices each year. This handbook is a valuable resource in understanding employment and wage potential.

After doing her research, Emily learned that she could expect to earn somewhere between \$7.28 and \$12.22 an hour as a dancer – plus room and board if she was on tour – which was much less than she had hoped. She also learned that the employment outlook for dancers is expected to grow slowly and that competition for jobs is intense. Given that the four-year tuition cost to attend her chosen university was nearing \$100,000, she decided to rethink her plan and pursue a degree in school administration at her nearby state university.

As a residual benefit of her research, Emily continued to pursue her love of ballet as an instructor at a local dance studio. This provided her good on-the-job teacher training and enough money to help pay her college expenses and lower the debt she faced upon graduation. □



Teachable Moment

Sit down with your college-bound student and discuss his or her career interests and education plans. Then, take a look at the following web sites to find jobs that align their interests with institutions of higher learning that may help them reach their career and life goals.

- **US News & World Report's** review of the best colleges and universities in the country, including school rankings and details on scholarships, loans and grants.
<http://colleges.usnews.rankingsandreviews.com/best-colleges>
- **Kiplinger's Best Values in Public Colleges.**
www.kiplinger.com/magazine/archives/best-values-in-public-colleges-2011.html
- **Kiplinger's Best Values in Private Colleges.**
www.kiplinger.com/magazine/archives/best-values-in-private-colleges-2010-2011.html
- **U. S. Bureau of Labor Statistics Occupational Outlook Handbook 2010-2011 Edition.**
www.bls.gov/oco/

Yes, You Can Build Wealth

“The Money Coach” outlines seven simple strategies for building wealth and savings towards your first million dollars.

Seven Strategies that Could Improve Your Financial Position

What you do today can have a huge impact on your family many years from now.

Lynnette Khalfani-Cox is known to many as “The Money Coach.” In 2003 she was a financial reporter for CNBC who was often interviewed on programs like The Oprah Winfrey Show, CNN and Good Morning America. She also wrote financial advice pieces for publications like The Wall Street Journal, Black Enterprise and Essence magazines. But, even though Lynnette had the financial savvy many of us lack, plus a six-figure salary to match, she was deeply in debt herself... to the tune of over \$100,000.

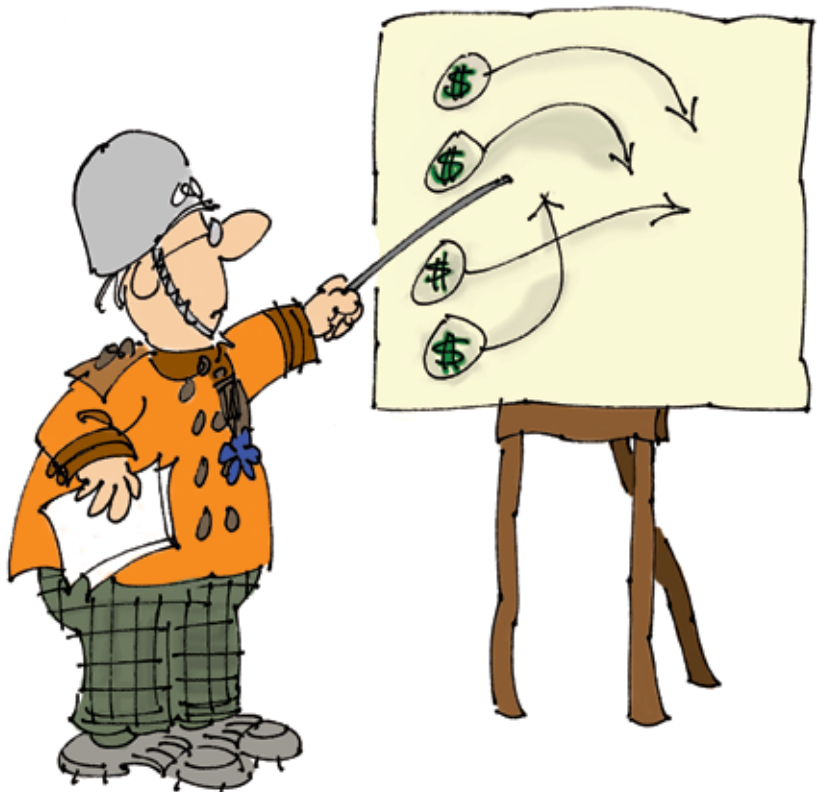
Wanting to be debt-free, Lynnette was determined to take the tough steps necessary to dig herself out. It took three years, but she did it. Her book, *Zero Debt* shares how she did it and provides sound financial strategies to thousands like her who also want to live debt-free.



Teachable Moment

As you develop your personal prosperity plan, hold a family discussion to address what should be included.

Talk with your kids about their future aspirations. What sort of lifestyle do they want to have? What are their career interests? What steps do they need to take today and in the future to achieve their goals?



Lynnette identifies Seven Strategies for Building Wealth. With the goal of helping others achieve their first million, the first letter of each of her seven tips cleverly spells the word “million!”

Make a personal prosperity plan – Written goals are crucial to your success. Lynnette encourages SMART goals. SMART stands for specific, measurable, action-oriented, realistic and time-bound. She also suggests including at least one or two “wants”, in addition to your “needs”, into your plan. Including at least one “want” per month will help keep you motivated and encourage you to stick to your plan.

Invest first, last and always in yourself – To become prosperous for the long-term you must constantly update your skill set. Depending on your personal situation, consider getting that long-postponed degree, earning a business certification or attending an educational industry conference. You might also take a class that teaches you a new skill in order to help you generate a second income.

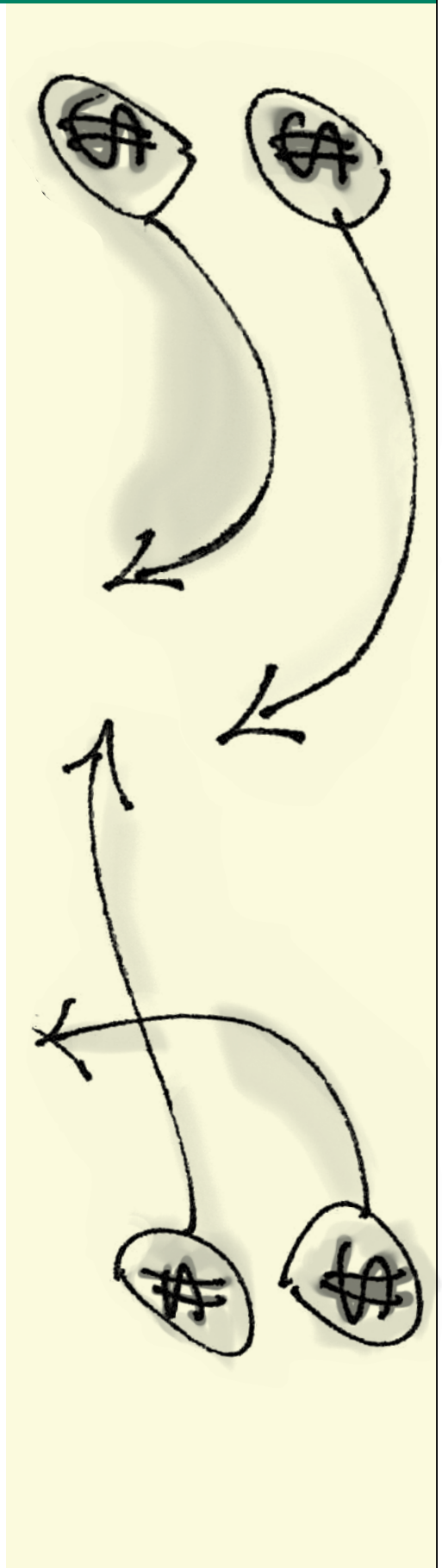
Live like a lender, not like a borrower – When you live like a lender, you always collect interest on your savings and investments. If you live instead like a borrower, you will always be at someone’s mercy and paying interest instead of collecting it.

Leverage the power of property – Although home ownership may not be for everyone – and in today’s economy, renting can often make good financial sense (see page 9) – in most cases owning a home, and the mortgage that comes with it, is a good investment for the long term. And, if you are interested in managing a rental property or two, becoming a landlord can also be a way to build wealth.

Increase your fortune with proven methods, not shortcuts – Lynnette is a big believer in tried and true investment methods. She says over the long-term some mutual funds have proven to be a safe, smart way to invest, followed by stocks and bonds. Avoid complicated deals, “long shots” and get-rich-quick schemes at all costs. Hiring a respected professional investment advisor is also a good idea. Be sure to check references. Regardless of how you choose to invest, keep in mind there is some risk involved and your investment could lose value.

Overcome setbacks and minimize risks to your finances – Lynnette also suggests having at least three months savings as a financial cushion in case of an emergency. And make insurance a big priority. Be sure you have enough life insurance (five- to 10-times your annual salary), along with health and disability insurance coverage. If you are strictly relying on the insurance provided by your employer, it may not be enough, so do a thorough assessment to be certain you and your family are protected.

Never forget the next generation – Lynnette encourages people to remember that building wealth is not just for you but for your family members. What you do today can have a huge impact on your family many years from now. □



The six-month grace period for many of the spring graduates who are carrying student loans is about to expire.

Pay Off Your Student Loans with Help from Uncle Sam

As this year's college graduates left campus in the spring, they took with them, on average, approximately \$24,000 in student loans. Depending on where those loans originated, many of those who graduated have been enjoying a grace period from repayment. The length of the grace period is determined by the loan source:

- Six months for a Federal Stafford Loan; and
- Nine months for Federal Perkins Loans.

Thanks to the federal government's new Income-Based Repayment Plan (IBR), those grads – and others holding federal student loan debt – may be able to cut their payments on their loans to less than 15 percent of their incomes.

As with any loan or credit program, having a lower monthly payment normally means that payments will be made for a longer period of time. This means that you will pay more total interest under IBR than you would pay under a 10-year Standard Repayment Plan. That is why it's important for each borrower to carefully evaluate whether IBR is the best payment option.



The U.S. Department of Education's official IBR site offers some good information and includes a calculator to help you determine whether you are likely to qualify for the IBR Plan and to estimate what your IBR monthly payment would be. The website is at studentaid.ed.gov/ibr. However, for an official determination of your eligibility for IBR, or to apply for IBR, you'll need to contact your loan servicer. Some factors you should consider before applying for the program include:

Are you married or engaged? Initial plans call for the new payments to be based on family income, no matter how much one spouse owes.

However, there is a move underway to reduce this "marriage penalty" sometime next year. In the meantime, debtors who already are married – or soon to be wed – should see if filing their taxes separately would make a positive difference.

Do you work in a public service job? If so, and you have been making your federal loan payments regularly, you may qualify for a retroactive credit toward student loan forgiveness. If you've worked in public service and have made regular on-time payments since October 1, 2007, you can have



Teachable Moment

Spend some time with your student, gathering all his/her loan documents and determine if any are federal loans. If so, go to the U.S. Department of Education's official website, www.studentaid.ed.gov. Once on the website, visit the Repayment Plans and Calculators section and go to the Income Based Repayment section to learn more.

those payments counted toward the 120 (10 years worth) on-time payments that are required for the remainder of the loan to be forgiven, under the government's public-service cancellation offer.

Have you been laid off or had a pay cut? The government is basing the new loan payments on the income reported on a debtor's previous year's tax filings. If you want your payments to be based on a current, lower income, you will have to provide the documentation. Note: if you get a new job or a raise, you must plan on making higher payments the next year, and you'll have to reapply for IBR, documenting your income every year.

While IBR may help reduce your payments, it doesn't free you of your student loan responsibilities. Student loans are "real" debt and cannot be discharged, even in the case of bankruptcy. If you are 21 or more days late, your loan will go into delinquency. After 270 days, it goes into default, at which point your paycheck is subject to garnishment and other penalties. Defaulting on your loan will harm your credit rating and may cause any future income tax refunds to be withheld and applied toward the amount you owe.

An IBR is strictly for federal student loans. Students who have private, signature or other types of loans (like a Sallie Mae loan), and parents who have borrowed to pay for their child's tuition, should not expect help from this program. □



What a High School Principal Teaches His Kids About Money

Dr. Rudy Papenfuhs, principal of Smithville High School in Missouri, believes kids should learn about money at home and in school. A native of New Jersey, he attended four Midwestern universities, was a biology teacher, and now teaches an MBA course at a Kansas City university. He shared techniques he and his wife Patt used with their own children:

When should you start teaching kids about money?

“Certainly by elementary school kids can understand the concept of money, and how to earn, collect and save it before buying something. Understanding cash is important. Credit isn’t brought up till years later.”

Should kids have mentors?

“Our daughters had a personal ‘board of directors’ that included people we did things with as a family. It was a confidence-builder for them to ask these individuals if they could come to them for advice about financial and other matters. It’s been most encouraging and enlightening for them.”



Should you let kids make costly mistakes?

“Yes! When our daughter Julie had braces but didn’t wear her retainer – even after the orthodontist’s warning – her teeth moved back. We had her pay for the second set of braces out of her own pocket. She learned a valuable lesson about maintaining what you’ve spent money on!”

How do you teach saving habits?

“In February 2010 we brought Ryan, a homeless orphan, into our home as part of our extended family. We’re teaching him our family philosophy that the more you earn, the more you save – not spend. For example, we don’t believe 19-year-olds should have the car of their dreams, so he has a 2003 truck. We told him if he maintains its value and saves another \$2,000, we’ll talk again.”

What about investing?

“When Julie and Megan were in high school, we’d sit at the kitchen table and show them our financial reports. We explained that we didn’t live beyond our means. We didn’t have a fancy car, but we also didn’t have car payments. We also talked about depreciation and the fact that once a car is driven off the lot it is worth less. We even explained compound interest. Now our daughters both have IRAs, and never have credit card service fees.”

How important is education?

“My hope is that students leave high school with two main skills – self-discipline and knowing how to learn from their mistakes. If they don’t make mistakes, it means they’ve never taken any risks.”

Should states require financial literacy credits?

“Missouri has a requirement, and I think it’s a good idea. Many students seem to know the price of everything, but the value of nothing. Our classes include lessons from the Yes, You Can curriculum, which helps students learn about checking accounts, getting loans and saving before buying.”

Download a copy of the Yes, You Can curriculum at YesYouCanOnline.info. □



Teachable Moment

Everyday purchases provide opportunities to teach your children about wants vs. needs. “When our daughters wanted more expensive jeans than we’d budgeted, we told them they had to pay the difference from their babysitting earnings,” Rudy noted. “It helped them learn the value of money.”

Renting vs. Buying a Home - What's Right for You?

With the U.S. housing market still reeling from the recession, many would-be homeowners are asking themselves if they should rent instead of buy. What factors should you consider before making your decision?

Start with how long you plan to live in your home. Most real estate professionals and financial advisors agree that home buyers should plan on at least five years. Otherwise, when you add up the transaction costs, property taxes, maintenance costs and your mortgage payments, it makes more financial sense to rent.

An often-used rule of thumb to calculate a buy-rent ratio is to divide the purchase price of a home by the annual rent of a similar property. Generally, if the number is above 15, you might want to consider renting because it will cost you less over a period of time. If the number is below 15, then home ownership may be more attractive.

A recent *New York Times* article talks about some of the differences between buying and renting and even includes a calculator to help you decide which is right for you. The article is available at:
nytimes.com/interactive/business/buy-rent-calculator.html

Of course, if you do lean toward buying, take a look at your income to make certain you're not buying a home beyond your means. Even if you can come up with the down payment, be sure your mortgage payment won't leave you "cash-strapped" and unable to afford anything else. As you plan, keep in mind your emergency fund. As a home-owner, you are responsible for all home repairs. As a renter, your landlord may incur those costs. An unplanned home repair can quickly deplete a three month emergency fund.

Another consideration is the security of your income. If you lose your income, it may be easier to find a less expensive place to rent than it would be to sell a home.



For some, there are benefits to investing in the market instead of buying a home. A recent *Wall Street Journal* article gives an example of the dramatic difference a disciplined investor would have experienced if he would have invested in the stock market in 1980 instead of buying a home:

In 1980 an investor considered buying a \$99,550 home that by 2010 would have increased in value by an average of 3.6 percent per year to \$296,820. If that investor would have put his 20 percent down payment of \$19,910 and the normal homeownership expenses (above the cost of renting) over the years into the Dow Jones Industrial Index instead, his portfolio in 2010 could have been valued at \$1,800,016. To put it plainly, the stocks would have been worth more than the house by \$1,503,196.

Of course, like owning a home, investing involves risk and both could drop in value. While there are a number of factors to consider when it comes to buying vs. renting in the end it's up to you to assess your personal situation and the factors that influence this type of decision before you make a move. □



Teachable Moment

Ask your teens what they think it costs to own a house today. Help them realize that – in addition to the monthly mortgage – there are many other expenses to consider. Start a list of things like utility costs, homeowner's insurance, lawn care/snow removal and on-going home repair to help them understand the cost of homeownership. This could be beneficial to them when they are old enough to make important housing decisions.

Teachable Moment



Get a taste of farm life in the city during the fall planting season. Make it a fun family activity to visit a garden center and spend an afternoon planting seeds and bulbs. With proper care, you'll have lettuce and radishes to harvest before the first frost.

Want to turn it into a lesson in compounding? Plant pumpkin seeds. After the harvest, cut one open and try to count the seeds. Explain how, over time, one seed, properly cared for and tended was able to create many. Talk about how many pumpkins you could have if you planted all those seeds. Try to calculate how many seeds all those pumpkins would provide. That's the power of compounding!

To find haycation opportunities near you, visit farmstayus.com or ruralbounty.com. This fall, get a "moove" on it and get "baack" to nature with a haycation.

Hey! Take Time for a Haycation!

In many rural parts of America there's a new trend growing. It's called "haycations" and it's a seed of an idea planted by the blooming agritourism business. Haycations encourage families, schools and youth groups to take field trips to actual fields. Haycations offer great learning experiences for kids and adults who may not have the opportunity to experience life on the farm or understand the economics of agriculture.

"Kids are often four or five generations away from the farm," says Carolyn Rausch, owner of Carolyn's Country Cousins Pumpkin Patch in rural Missouri. "Some urban kids are scared at first of the wide open spaces, and they'll call the pigs "doggie" because they've never seen one before."

As an industry, farming is big business. According to recent statistics quoted by the Agricultural & Applied Economics Association in Choices Magazine, in 2010, U.S. agricultural exports reached a record high \$115.8 billion. This represents more than nine percent of all U.S. exports. Further data shows that every \$1 billion of U.S. agricultural export generates 15,811 jobs.

More than 50,000 farms across the country welcome visitors during all or part of the year. Besides taking hayrides, you can see how maple syrup is made in Vermont, learn how cheese is made in Wisconsin or join in harvesting apples in Washington.

Other activities commonly found at haycation destinations, include:

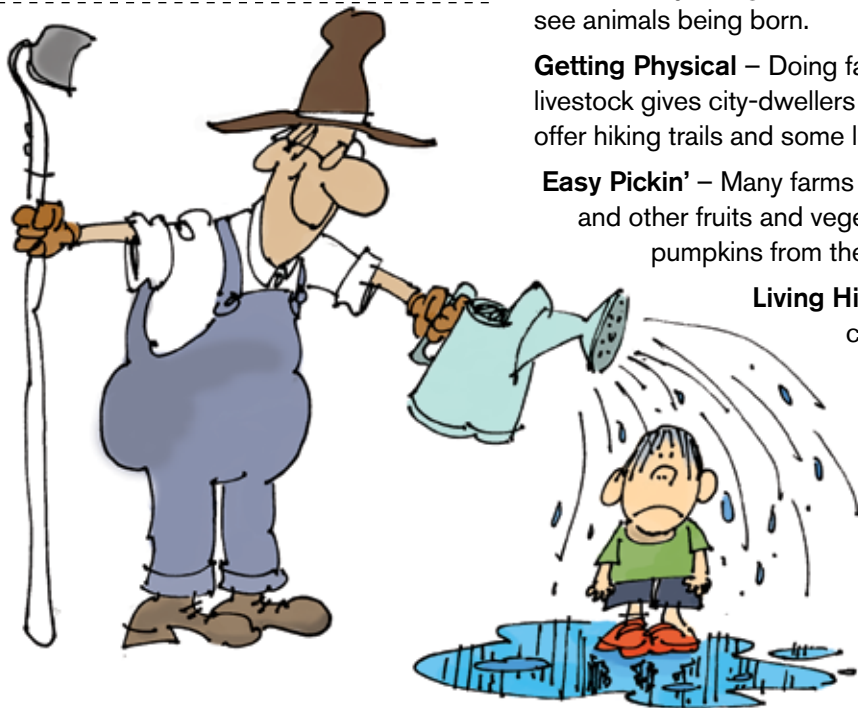
Amazing Mazes – Explore a corn or hay-bale maze. It's fun seeing how long it takes to wind through the maze and find your way out.

Animal Magnetism – Children are naturally drawn to animals, and love getting to see and touch the hogs, goats, sheep and cows. On some ranches, they can go horseback riding, and if you time it right they can see animals being born.

Getting Physical – Doing farm chores such as milking cows and feeding livestock gives city-dwellers a hands-on experience of farm life. Many farms offer hiking trails and some let kids to climb the walls of silos.

Easy Pickin' – Many farms and orchards invite you to pick berries, plums and other fruits and vegetables. Your kids can also pick their own pumpkins from the vine to decorate for Halloween.

Living History – Learning about butter churning, weaving, cotton picking and blacksmithing gives your kids a glimpse into America's pioneer days. □



From Wedding Bells to Babies

Communicating About Money Enhances Wedded Bliss

Before you say “I do!” consider all the do’s (and don’ts) that can affect your financial future long after the last piece of cake is eaten.

Ever since your first date, you’ve been gaining clues on how your partner uses money. The award-winning book, *Yes, You Can... Achieve Financial Harmony*, suggests that couples discuss their money “ancestry” and how their families treated money. Communicating on money matters will build a strong foundation for your life together. Attitudes learned in childhood will affect the way you handle money as a couple as you build your “nest” and your “nest egg.”

“Talk about money before you get married,” advises one couple, Sarah and Jeff. “Understand your partner’s views about money and their spending patterns.”

Wedding Bells & Bills

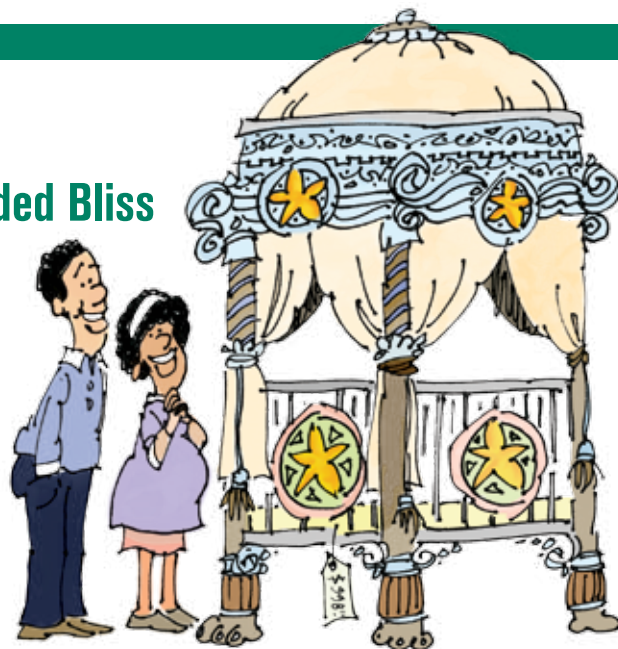
If marriage is in your future, discuss what the two of you envision as far as a ceremony and honeymoon. Consider what you can afford without going into debt.

Include in those conversations some consideration of the “opportunity costs” of a \$25,000 wedding – today’s average cost – versus a more intimate ceremony. Is the experience of one day worth the expense? Long-term, would you benefit using some of the money to invest for your future or save for a home?

Whatever size wedding you choose, develop a budget together and look for creative ways to trim costs. By searching online for “how to save on weddings,” you’ll find dozens of helpful sites such as wikihow.com and moneyallocator.com. Look at your own spending of other ways to save. For example, an evening out that includes dinner and a movie will cost considerably more, than a backyard picnic and movie rental.

Newlyweds & New Challenges

As you settle in together after the wedding, continue



building your communications skills. “Live well under your means, and don’t get into debt,” advises Natalie. “Each partner should take responsibility for their part of the finances.”

Decide on your priorities, develop an emergency fund and start saving as much as you can to invest for the long-term while also achieving shorter-term goals such as buying a starter home or starting a family.

And Baby Makes Three

According to a recent study by the U.S. Department of Agriculture, estimated costs for raising a child born in 2010 through age 17 in a middle-income household is \$286,860. Given the price tag, couples who are considering becoming parents need to plan ahead. This includes having adequate health insurance coverage, emergency funds and a cash reserve to cover at least the baby’s first year of expenses.

Using online calculators, such as those found below, will help you prepare for the welcome addition to your family:

- babycenter.com/baby-cost-calculator
- webmd.com/baby/features/cost-of-having-a-baby

While money can’t buy love, building financial security as a couple can give you peace of mind so you can live happily ever after! □



Teachable Moment

Newlyweds, as well as teens starting to date, can benefit from finding ways to enjoy together time without spending lots of money. In *Yes, You Can... Achieve Financial Harmony*, you’ll discover many ideas for weekly dates and “together time,” including local sightseeing, trying new recipes and volunteering for favorite causes. “It doesn’t have to be fancy or expensive,” the authors point out. “It just needs to be a time dedicated to the two of you.” You can download a free copy of the book at YesYouCanOnline.info/Book.



Extra! Extra! Read all about it!

MoneyClips eNews offers hands-on journalism experience

Does your school have a newspaper or other media outlet that provides information of interest to students? If so, visit the **MoneyClips eNews Center**.

MoneyClips provides news release templates that can be customized by your student journalists to meet the interests of their audience.

Each release comes with interview tips and sample questions so students can localize news stories to publish, broadcast and share online.

MoneyClips eNews Center includes information and tips on topics including:

- Checking accounts
- Job interviewing
- Comparison shopping
- Building good credit
- Saving on college expenses
- Preventing identity theft
- Avoiding student loan debt

This online program offers hands-on journalism experience in a real world environment.

YesYouCanOnline.info/MoneyClips

YES YOU CAN



Yes, You Can
4500 Main Street
Kansas City, Missouri 64111

PRSR STD
U.S. POSTAGE
PAID
PERMIT #4609
KANSAS CITY, MO