Magdalena Sporkmann:

# Miss Money: What smart girls should know about money

(OT: Miss Money: Was schlaue Mädchen über Geld Wissen sollten)

Sample Translation
By Linda Gauss

Table of contents

Hello you,

It's nice that you picked up this book. Maybe you did so because you'd like to learn how to get more pocket money or how to earn more money yourself. Or maybe you have a dream you'd like to save for, but you haven't been able to do that yet, and you always end up spending the money on something else. I know exactly how you feel….

But instead of whining, you grabbed this book so that you can learn how to earn, save, and grow your own money. That's great! And by doing that, you're already way ahead of most girls and women. Many women think that finances are men's business. And that's how things were for a long time. Only for the past 65 years have women in Germany been able to work without their husbands' permission, earn their own money, and have their own accounts, and therefore, power over their own money. Crazy, right? Your grandmother probably lived in a time when women were completely financially dependent on their husbands.

But that's all in the past now, and it's high time that young girls and women take advantage of the freedom they have! Because even today, in the era of so-called equal rights, it's often the man in the family who handles the finances. And many women remain at home and take care of the household and children – which means that later on, they have less retirement income and less money available to them when they're old.

Congratulations for deciding to read this book and take your future into your own hands. Money can help you achieve an awful lot. Regardless of what you want to do in life, money will always play an important role. If you want to, money will allow you to study what you want, take great trips, and perhaps someday even found a start-up. You have big dreams, and money can help you achieve them.

And now let’s start reading! You can start at any time, regardless of how little money, previous knowledge, or experience you have. This book will grow with you, evolve with your progress, and quench your thirst for knowledge. You can start small and feel your way along slowly, or go all-out from the start. You’ve already taken the biggest step – you’ve shown an interest in finances. And I can promise you, you won’t be sorry. Finances are easy, they’re fun, and they’ll open a lot of doors for you.

I hope you enjoy this book!

Yours truly,

Collien

Part 1

Money makes the world go round – You and your money

This book is for you

What are you three greatest wishes or dreams?

1.

2.

3.

Do you need money to make these dreams come true? Admittedly, you will need more than just money; you will need savvy, courage, good friends, and patience. But it's very likely that you can make at least one of your dreams come true with money alone.

There are wonderful things that don't cost anything, such as:

| | | |
|---|---|---|
| Playing sports | Hanging out with your friends | Swimming in the lake |
| Falling in love | Singing | Chilling out |
| Taking a walk | Spending time with your family | |

However, there are also many nice and important things that cost money, such as:

| | | |
|---|---|---|
| Movie tickets | Bottled water | Food |
| Inline skates | Your apartment | Percussion lessons |
| Travel | Clothing | |

All of us use money all the time to pay for things that we need or want. At the same time, it's wrong to think that money can solve all our problems, satisfy our needs, and make our dreams come true. You don't believe me? Then write down a few of your nicest memories here:

1.

2.

3.

Are these things, or people and experiences that you like to remember? Is it your first smartphone, or the day your little sister was born, or that time you climbed a mountain with your aunt?

Now ask yourself what you could live without – things, people, or experiences? What would you do without your skateboard? How about your best friend? How about that beach vacation in summer?

You see: the *people* in your life can't be replaced – and you can't buy them with all the money in the world. However, you can do without most *things*. Experiences are important and nice; some of them leave a lasting impression, and remembering them brings us joy forever. But in hindsight, does it matter whether you were on a faraway beach or a at a nearby lake when you were with your friends? Whether you got there by train or on your bicycle? Whether you bought expensive food from the restaurant there or ate a cheap picnic that you brought along? Probably not…

Still, for each of us there are things and experiences that are priceless because they enrich our lives so much. Iris looks forward to her pottery course all week long. Jin goes everywhere on her skateboard. Charu's kindergarten friend lives in England, and she'd like to visit her at least once a year. They all need money to pay for what's truly important to them.

Money is not the solution to all problems, and it can't make you happy, but it's a powerful tool that you can use to satisfy many of your needs and desires. The better you understand this tool, the more useful it will be to you. And you'll learn how to do that in this book. so that money doesn't keep you from achieving or getting what's truly important to you!

What *is* money anyway?

Money is a means of exchange. Before people had money, they traded goods directly; a piece of leather for a basket of mushrooms, for example.

However, there were some dangers involved in this kind of trading:

1. The things that were traded were supposed to be of approximately equal value. That’s where you can get hoodwinked. The leather is the finest quality, and the mushrooms also look very nice with their silky caps. But appearances can be deceiving; inside, the mushrooms are full of worms. A bad trade!

2. Imagine: the mushroom gatherer doesn’t want leather, but rather a piece of meat, so one person’s **supply** does not fit the other person’s **demand**.

3. Maybe the leatherworker has other animals in addition to leather goods. However, he doesn’t want to slaughter an animal just to trade a small piece of meat for a basket of mushrooms. The rest of the meat would spoil quickly if it couldn’t be traded for other goods. Many goods are perishable. That’s why they’re hard to store and “save” for later if you don’t want to trade them right away. And just think of all the space that you’d need!

4. The leatherworker’s animals aren’t easily divisible. They require a lot of space, and their meat won’t last long. Either the leatherworker trades a whole animal for goods worth as much as the animal, or he finds many individual buyers whose goods he can use to trade for a piece of meat. But this is very time-consuming, of course!

5. To solve the problem, the leatherworker could first trade his leather to a hunter for meat, and then trade the meat to the mushroom gatherer for the mushrooms. But this is also very complicated, and it takes a long time.

That’s why metals such as gold, silver, and copper became popular means of exchange. They will last forever and they’re small, so they’re easy to transport and keep. They can be used as a practical, intermediate means of exchange for all other goods. So gold, silver, and copper were divided into small pieces – coins. Money was invented!

At first, a coin was worth as much as the quantity of metal it contained, but Euro coins are no longer made of valuable gold or silver; they’re made mostly of cheap copper, brass, and nickel, and their value no longer corresponds to their material value. Instead, their value is defined independently. The value of our money is based on a promise: the bank promises that you can use a two-Euro coin to buy something that costs two Euros.

However, if you want to buy something very valuable, then coins aren't exactly the ticket. Imagine that you are trying to pay for a bicycle with coins. If it costs EUR 400, you would have to carry 200 2-Euro coins to the shop. That's 3 pounds of coins! That's why there are bills, which make the same promise that coins do. A 100-Euro bill is a kind of credit – also a promise – with which you can buy something that costs EUR 100. Most bills are made primarily of cotton – like your t-shirt. That's why it's not so bad if you accidentally forget a bill in your pants pocket and it goes through the laundry.

Money solves a lot of problems when it comes to trading: it's small, it can be divided, it's light, non-perishable, and you can trade it for nearly all other objects of the same value. But how much is an individual bill or coin worth? The number on the coin or the bill specifies a value – for example, ten cents or five, fifty, or one hundred Euros. This value is the same as its counter-value, that is, the price of the goods that you can buy with the money. What you can buy with your money changes all the time, however, because the price of things changes all the time. And it depends on many different factors.

Let's say that you have four Euros, and you want to use them to buy strawberries. But it's winter, and strawberries only grow in the summertime. The strawberries that you can buy in the winter either come from a country where it's currently summer, or they come from a greenhouse. Both of these options are complicated and expensive: if the strawberries come from another country, they have traveled a long way, perhaps even on an airplane. If they come from a greenhouse, the strawberry farmer had to build, heat, and water the greenhouse. The strawberries must be sold for more money than they would in summer because their planting and transport were complicated and costly. That's why in the wintertime, you can only buy a small basket of strawberries for four Euros.

In summer, strawberries practically grow on your doorstep, because they can get everything they need there: sun, heat, and a little rain. They don't have to travel, nor are they grown in a heated greenhouse. That's why they can be grown and sold much cheaper. Here, a small basket of strawberries costs just two Euros, half as much as in winter. And if all the strawberries ripen at the same time and there are suddenly more strawberries than people want to buy, the grocers offer them more cheaply so that they can sell as many as possible. Then you might even be able to buy two baskets of strawberries for two Euros. That's four times as many as in winter!

If you can't always buy the same amount of goods for the same amount of money, this also means that you can make smart and less smart decisions when shopping. More about this later.

> Money has no intrinsic value. The value of the money fluctuates with the price of the goods.
> If everything is getting more expensive and you can therefore buy less for the same amount of money, this is called **inflation**. Money is being devalued.
> If, however, everything is getting cheaper and you can therefore buy more for the same amount of money, this is called **deflation**. Money is now worth more.

Furthermore, have you noticed that people in different countries have different kinds of money? Maybe you've had to change money while traveling so that you could pay for something in cash. The reason for this is that there are different currencies. In Germany, for example, we use the Euro (EUR). In Switzerland, people use the Franc (CHF), and in the US, the dollar (US $). A **currency** is the means of payment used in a country or a currency union. In a **currency union**, different countries have joined together and all use the same currency, like the countries of the Euro zone.

But isn't it a little strange that in one country you can only buy bread for Euros, while in another only for Francs? Why do currencies work only in a particular place? The simple answer is trust. A country's people trust its currency. They trust that they will be able to use the money that they earn working to buy their food at the supermarket. And where does this great trust originate? Institutions such as banks and central banks vouch for the security of the currency. They ensure that the money spent is real and that the number on your bank statements is correct. They ensure that money that you want to transfer to your friend actually arrives and is deducted from your account. Central banks also specify how much money is in circulation, and they make efforts to ensure that money and goods remain in a sensible relationship to one another so that there is neither high inflation nor high deflation.

Dollar, Euro & Co. are bound to the countries where they are used. That's why people talk about national currencies. In contrast to this, there are also global, digital currencies. They can be used around the world, but they only exist digitally; that is, without coins or bills. These currencies are also called cryptocurrencies, and some people will tell you that they're the new money. What this actually means is something we'll talk about in the Cryptocurrencies chapter.

## Money and feelings

Because money is such a powerful tool, it can evoke strong feelings. Does this sound familiar?

Perhaps you feel…

…guilty because you have spent more than you wanted to.

…satisfied because you've saved money.

…greedy because you don't want to share the money that your parents gave you and your siblings.

…proud because you earned your own money.

…anxious because you can't find your wallet and you're afraid you've lost it.

…happy because Grandma put a twenty in your pocket.

…jealous because your friend gets more pocket money than you do.

…peaceful because you know that you've saved enough money to buy a concert ticket when your favorite band is giving a concert nearby.

Ask your friends: I'm sure that at some point, they felt the same way about money. Your feelings are important because they can reveal a lot about what's going on with you and your money: do you have enough to make your dreams come true? Do you know how you can get more money? Are you able to save? Are you spending more than you want?

WHAT IF…

…bad feelings about money affect your friendships? Perhaps you have friends who have a lot more money than you do and you're jealous of them for this. Or you're sad because you can't afford to go to the popular new café with them. Maybe your friend has a lot less money than you do, and you feel guilty when you buy something nice for yourself because you know that she could never afford that. No matter how you feel, you should talk openly about money. It's not a sin to have too much or too little money. If you're really friends, money should be no obstacle. Talk about who can or wants to spend how much money and make a compromise. Agree on something that you can all afford or pool your money so that those who have more, pay more. You’ll see; it’s likely that some people won’t always have more than others. Depending on how your life goes, things can change. Sometimes one person has more money, another time someone else will, and you help one another out. But this support should always be voluntary and granted without conditions so that it enriches your friendship.

## Your money mindset

You've already learned that the value of your money isn't set in stone. It depends on many things, and also on your **money mindset**. Your money mindset is your attitude toward money, such as whether you think money is good or evil, important or not important. Take a moment to consider the following situations, and you will see how your attitude toward money influences its value for you.

Do these statements describe you?

1. The cashier gives you your change. You've already calculated how much you should get back and you count the money before putting it in your wallet.

   Yes No

2. Your cousin calls and asks what you bought with the gift card she gave you for your birthday. You look over at your memo board, where you're keeping your gift card. You see it there every day and look forward to using it to buy something nice. Until you know exactly what you want to buy, you're enjoying the anticipation.

   Yes No

3. Your money isn't just lying around in your jacket pocket or your room, you keep it in a safe place – for example, in your wallet, piggy bank, or bank account.

   Yes No

4. You tell the ice cream scooper what flavors you'd like. When she tells you how much it will cost, you give her exact change. You'd thought beforehand about what you wanted and calculated precisely what it would cost.

   Yes No

5. Once again, you've left your hat somewhere. Your friend says, "Good, then we can go buy you a new one!" But you retrace your steps, call the lost and found offices of the local public transport, your school, and your sports club. In short: you do everything you can to find your hat.

   Yes No

6. Your father asks you, "How much money did you spend at the flea market?" You know exactly how much and you tell him without hesitation.

   Yes No

What do all these situations have in common? As Benjamin Franklin is reputed to have said: "A penny saved is a penny earned." A person who doesn't pay attention to her coins and spare change will probably never accumulate great wealth.

Each time you've answered "yes" above, you've proven that you pay attention to your money. A "no," by contrast, suggests that you're careless with your money. Perhaps you think "it doesn't matter if my change is exactly correct." But that's not right. Because if you're too lazy now to calculate your change, you'll probably also be too lazy when there's more money at stake. It's amazing how quickly we can get used to having a particular amount of money available to us. For example, if you get EUR 40 pocket money each month, you probably think that one EUR more or less doesn't make a big difference. One EUR is 2.5% of your pocket money. But later in life, you might earn EUR 4,000 per month, and 2.5% of EUR 4,000 is EUR 100. That's more than twice as much as your current pocket money. Do you still think that this 2.5% doesn't matter?

You see, it really does make a difference whether your change is exactly correct. It makes a difference whether you track your money carefully and don't lose any of it. And it makes a difference whether you have to buy a new hat just because you're too lazy to look for the one you've lost.

How you handle small amounts of money indicates how you will handle larger amounts later on. Your handling of change indicates whether you think in advance how much something costs, whether you have enough money, and whether you want to spend that much. It shows whether you throw your money out the window without a second thought or spend it carefully on precisely the things that you need and actually want.

You'll see: the more you mind your money – regardless of whether it's forty, four thousand or four million Euros – the more value it will bring you. If you take good care of your money and use it as wisely as possible, you will have it and keep it. You will succeed in saving your money and spending it so that you will have it for a long time and it will bring you great joy.

## How money circulates

Your money moves in a circuit – what you receive and what you spend. **Income** is when you get money. This can happen in various ways and forms. You're probably familiar with pocket money and gifts of money. If you're employed by a company or a business, you get **wages** for your work, **earnings**, or a **salary**. However, if you're your own boss, then you're an entrepreneur. You're not earning **wages**, but rather collecting **fees** or generating **profits**. However, you can also look at things the other way round: you're not working for your money, it's working for you, and you're earning a **return**. That's the **profit** when you invest your money successfully.

Does this sound tempting? We'll talk more about this very soon.

Once the money has landed in your wallet, your piggy bank, or your bank account, it flows on in the circuit. It flows out. And where does it go? Perhaps you've already noticed that your money can do different things depending on how you handle it. You can use money to consume, save, invest, or donate. Saving and investing are your **expenses**.

**Consuming** means spending money. You spend your money on sneakers, cosmetics, or an escape room, and then it's gone. Whatever you've bought with your money gets worn out (sneakers), used up (cosmetics), or passes (escape room). This may sound sad, but if you make the right consumption decisions, you will take great pleasure in your purchases or memories. You'll learn more about this in the "Spending wisely" chapter.

You should hold back some of your money and keep it for later. This is called **saving.** How much you save depends on what you want to use your savings to buy in the future and when you want to buy it. You'll learn more about this in the next few chapters.

Did you know that you can also spend your money so that there isn't less of it, but rather – with a little luck – more? Does this sound like magic? It is a little magical – it's called **investing**. When you invest your money, you use it to buy things that may be worth more in the future or that you can use to earn more money. For example, you can rent something out or use it to make something that you can sell for more. Remember: the profit that you create this way is called a return.

If you'd like to get rich, it's very important to understand the difference between consuming and investing. When you consume, you give your money away to someone else. By contrast, if you invest, you keep your money, make it work for you, and make yourself rich.

That's all there is to it.

You can invest in many different ways: for example, Emilia is a comics expert. She uses her pocket money to buy a lot of special comic books. After a while, she has so many that she can fill a few shelves in her basement. She begins to lend these comic books out to other people and she earns money this way. In a few years, she has earned more money than the comic books cost.

Thao invests her money in German hip-hop albums from the 1990s; some of them are even signed. Again and again, she buys a few albums with her pocket money. When she sells her giant collection a few years later, she gets more money for it than the albums cost. That's because some of them are truly rare – and signed. Furthermore, her collection is almost complete. A complete collection like Thao's is more desirable to some people and they're prepared to pay a lot of money for it.

Unfortunately, you can't be sure whether the things in which you invest your money will be worth more later or produce a higher value. Emilia's comic books could fall victim to water damage or fire. Or other teenagers might not be interested in the comics and wouldn't want to borrow them. And in the future, Thao's hip-hop collection might just be old and not desirable at all. Nevertheless, it's wise to invest money, for with a little consideration, patience, and luck, you can earn more money this way than by working, and faster and more easily. Many people invest in stocks. You'll learn what these are and how they work in the "Stocks and stock market" chapter.

If you think about what you want to do with your money, you shouldn't forget about **donating**. Donating money means giving it away. You'll learn why you should do this in the chapter entitled “The responsibility of people with money.”

Do you know the 50-30-20 rule? It can help you use your income sensibly. According to this rule, you should…

…spend about 50% of your income for things that you need.

…spend about 30% of your income for things that you want.

…save 20% of your income.

This rule is useful for initial orientation. To get a better overview, you can keep your money in three jars. Label the first one “Needs,” the second one “Wants,” and the third one “Savings/Investments.” Whenever you get pocket money, put half in the first jar, 30% in the second, and 20% in the third. Later in this book, you will see that there are good reasons to modify the rule a little and, for example, to consume less and save and invest more.