Money Lessons From Middle Schoolers

Idea In Short

Americans and their government have forgotten basic money management. Return to fundamentals: distinguish needs from wants, understand opportunity cost, spend less than you earn, and treat every financial decision as a choice with costs, benefits and consequences.

America Means Opportunity

The United States represents opportunity. It was founded as the new country, the melting pot focused on tomorrow rather than yesterday. The problem arises when the nation and its citizens become so indebted that opportunity shrinks. America was never perfect, but it consistently pushed to reform, improve and win. Financially, the country is not setting itself up for success.

The national debt reached approximately $23 trillion at the time of this analysis. That figure equals roughly $179,000 per household or $70,000 per person. 1 It matches the combined economies of China, Japan and Germany. Republicans and Democrats both spend money they do not have. They simply spend it on different things. The federal government is a poor model of fiscal prudence for its citizens.

Great Minds Think: A New Guide to Money

The Federal Reserve Bank of Cleveland published a free workbook titled Great Minds Think: A New Guide to Money. 2 This 20-page cartoon workbook educates middle schoolers on money. It is simple, direct and useful. Many readers of this analysis are financially savvy professionals who work in finance, trade stocks and understand alpha and beta. Yet the basics matter because Americans have forgotten them.

The evidence is clear. Americans overspend. The government overspends. The nation has forgotten the fundamentals of money management. A return to middle-school-level financial literacy is not condescending. It is necessary.

Americans Were Already Vulnerable

Even before the Covid-19 economic disruption, Americans acted more like grasshoppers than ants. After the 2008 financial crisis, the economy enjoyed a 10-year run of low unemployment, low interest rates and a strong stock market. Despite these favorable conditions, 44 percent of Americans had expenses exceeding income. 62 percent of Americans had less than $1,000 in savings.

You do not need to be a financial wizard to see the problem. If you spend more than you make, you will not accumulate savings. The personal saving rate has hovered at historically low levels for years. 3 This is not a good setup for the average American, and it leaves households exposed to any economic shock.

Chapter One: Choices

The workbook opens with choices. The first three sentences say so much about economics and life. We have a limited amount of money to buy things we need or want. This is called scarcity. Because money is scarce, we must make choices about how to earn it, spend it, save it or give it away.

Every decision has a cost, a benefit and a consequence. Choices have everything to do with values and willingness to forgo immediate gratification. Dave Ramsey often says to live like no one else today, sacrificing, so that you can live like no one else later with financial freedom. If you carry a high-interest student loan, ask whether you are willing to skip dining out two or three times a week to pay it off faster. If the answer is no, the problem is behavioral, not mathematical.

Costs, Benefits and Consequences

The workbook includes fill-in-the-blank exercises where you list a choice, the options, and the costs, benefits and consequences. This approach is an evaluation matrix. Consultants create these on almost every project. The same framework applies to investment criteria for capital projects, vendor selection for strategic sourcing and recruiting evaluation forms for candidates.

Be wary of politicians or lobbyists who do not give the full picture. They mislead by highlighting only the benefits while ignoring costs and consequences. A decision matrix that omits costs is not analysis. It is persuasion, and executives should recognize the difference.

Earning and Saving

Start at the revenue line. Make money. For the government, this means tax revenue. For individuals, this means business, paychecks or investments. Your salary after graduation correlates strongly with your major. Computer engineering typically outperforms sociology in earnings. For consultants, the revenue equation is project bill rate multiplied by project hours.

The workbook discusses checking versus savings accounts, but with near-zero interest rates, this distinction is largely moot. Money in the bank earning negligible interest is dead money. The workbook would benefit from a sequel on investing, because saving alone does not build wealth when returns fail to outpace inflation.

Spending: Needs Versus Wants

The workbook teaches two core concepts that adults confuse constantly. Needs and wants are not the same thing. Opportunity cost means every choice has a cost. Adults mix these up all the time. People falsely think everything is urgent, required and relevant. There is no discernment. Just insatiable, impatient desire.

When buying a home, what is critical versus nice to have? Critical factors include school district, taxes, size and location. Nice-to-have features include crown molding and a walk-in pantry. Unless you can prioritize, you will frustrate yourself chasing a random list of things. The workbook forces you to place items into columns labeled need or want, with intensity ratings from one to five. Even savvy executives sometimes conflate a need and a want. This discipline matters.

Opportunity Costs

For anyone in professional services, whether attorneys, consultants, marketers or bankers, time is money. If you have a bill rate, you must value your time. The question is constant. If I were not doing this, what else could I be doing? The same principle applies to financial resources. When you choose to spend time or money on one thing, you give up the opportunity to spend it on another. The alternative you give up is your opportunity cost.

Money is not endless. Time is not endless. Every allocation of capital or attention carries a hidden price tag. Executives who internalize this principle make better strategic decisions, run tighter operations and model better financial discipline for their organizations.

Budgeting

Consultants understand budgeting. Many have worked in financial planning and analysis or strategic planning departments. Annual operating plans, monthly operational reviews and sales and operations planning processes are familiar territory. Yet two in five Americans follow no personal financial budget. The lesson is one the federal government desperately needs to embrace. Spend less than you make.

Budgeting is not complicated. It requires honesty about income and expenses, and the discipline to align spending with priorities. The workbook teaches this to 13-year-olds. The fact that most adults fail to apply it explains why personal debt levels remain dangerous and why household financial resilience stays fragile across economic cycles.

- 1National debt of the United States
- 2Great Minds Think: A New Guide to Money
- 3Personal Saving Rate

Summary

A Federal Reserve workbook for middle schoolers teaches scarcity, opportunity cost and budgeting. These principles apply equally to households and governments. When 44 percent of Americans spend more than they earn, the basics are not optional. They are urgent.