

Hey, Big \$pender

How to Teach Teens About Financial Responsibility

By Corrie Pelc

Teens love to spend money. A recent report by Teenage Research Unlimited notes that teens spent \$159 billion in 2005; nearly half of those interviewed predict that they will spend more in 2006.

However, teens don't love to save money. A study commissioned by the National Consumers League found that 55 percent of the teens questioned say they work mainly for spending money, while only 35 percent mainly save. While nine out of 10 teens say they save money, 36 percent admit that they are saving for specific items they want to purchase, 22 percent are saving for college and 27 percent are saving for no particular reason.

Teens may still be financially dependent upon their parents, but it's important for them to learn about financial responsibility and how to manage their money. "When we think about how our world is changing and how teens have more access to money than probably you and I did, it's important for them to understand how to properly manage it," says Sanyika Calloway Boyce, author of *Teen Money Tips: Simple Steps for Banking, Saving and Making Money*.

"It's critical to their success at being an adult," adds Kish Dill, board member and volunteer for JA (Junior Achievement) of Silicon Valley and Monterey Bay, which teaches financial education classes in public schools throughout Silicon Valley. "[Also] important is their success in getting through those difficult years after high school, through college and into their early 20s being able to understand money, how it works and how those years contribute to being successful in the future."

In most cases, it's going to be up to the parents to do the teaching. Most schools do not offer classes on financial education. According to Bryan Medlin, founder of Alameda-based Money 101, which offers financial life skills workshops for teens, only seven states nationwide require students to receive instruction in personal finance before graduating high school. California is not one of them.



Cash It In

So, how can parents ensure that they are teaching their teens what they need to know about money management?

To begin, help a teen set up savings and/or checking accounts. Dill says these accounts are a step to financial independence and responsibility. "Often, when I go into a classroom, the kids' only understanding of a financial system is: I get an allowance every week, and I can spend it on what I want and next week I'll get another \$10, and I'll do what I want with that," he shares. "They never get the chance to practice and understand the whole concept. It also adds some pride to their life because hey, this is my own, I am learning how to be independent."

With a savings account, parents can begin to teach the concept of saving for the future, perhaps for "big ticket" items such as the junior prom, their first car or a school trip. Parents can even

go further into the future by teaching their teen about the concept behind a 401K plan. For example, parents can say that for every \$10 a teen saves from their allowance, they will match that amount.

"It helps them see, 'Wait a second, if I'm willing to put the money away and save it instead of spending it immediately, I'm actually going to get even more back,' so the reward is huge," Calloway Boyce explains.

Parents can also help their teen understand the difference between "needs" and "wants" and how to assess them. That is one of the topics covered in the "Money Matters: Make it Count" program offered by the Boys & Girls Clubs of Silicon Valley Levin Clubhouse in San Jose.

"We talk about how parents usually provide all the things [teens] need and how they shouldn't really depend on parents to give things that [they] want - [they] should start learning as teenagers how to start saving for the things that [they] want," says Erica Muniz, health and life skills director for the Boys & Girls Club of Silicon Valley Levin Clubhouse.

Money Talks

Some Special Banking Programs for Teens in the Silicon Valley Area

After parents set up a savings or checking account, they shouldn't just walk away, Dill says. "This should be an ongoing discussion of, 'Hey, my balance statement came in today. Let's take a look at this. Let's learn how to reconcile the balance with my checkbook,'" he explains. "That is a perfect opportunity to promote dialogue without it being a lecture. It can be much more of a learning experience that way, instead of, 'Here's your allowance. Don't spend it all in one place.'"

Parents should also be aware that many banks and credit unions offer special accounts with teens in mind. (For a look at some of these programs, see "Money Talks" on this page.) For example, there's Bank of America's CampusEdge checking account for young adults 18 and up. According to Diane Wagner, Bank of America spokesperson, teens can receive a Stuff Happens card. "It's good for a one-time service fee refund. So, if you did an overdraft with insufficient funds or you needed cash and went to a non-Bank of America ATM and had a fee assessed, you can use your Stuff Happens card so it will eliminate the service fee."

Debit or Credit?

Should parents let their teens have access to their money through a debit card? Dill says it depends on the individual parent and teen. "A debit card is a fairly common way of getting cash, getting access to their savings account, so as long as it's understood that this is the same thing as having all your money tucked away in a mattress in your bedroom [and] this is the way you access it, I think it's fine," he concludes.

However, parents need to emphasize the importance of keeping track of expenses. Says Calloway Boyce, "I had a kid say to me once, 'Well, I don't have to balance a checkbook because I never wrote a check.' So the concept of balancing a checkbook needs to still be communicated although we are going to a paperless society."

What about credit cards? "Teen-agers and college students are inundated with card offers in the mail and this leads to trouble," Medlin says. "Credit cards are power tools and, like a power tool, you can do something good with it or you can really hurt yourself with it. It really depends on how you use it. And, as with a power tool, you need to have a certain level of awareness of the features of the tool to use it effectively; credit cards are really no different."

Calloway Boyce recommends that parents have a conversation with their teen about how credit is not evil and is necessary. "Often, I hear parents say, 'Oh, stay away from credit, it's bad, it's

• **Bank of America** – www.bankofamerica.com. The CampusEdge checking account.

• **Bank of Santa Clara** – www.bofsc.com. Moola Moola savings account for kids under 18.

• **Coast Commercial Bank** – www.coast-commercialbank.com. Moola Moola savings account for kids under 18.

• **Commonwealth Central Credit Union** – www.wealthcu.org. For Young Investors (FYI) Club for ages 13-17.

• **The Golden 1 Credit Union** – www.golden1.com. New Generation checking account for ages 13-17, Minor's Saving Accounts for children under 18, and a student pack for college students.

• **San Jose National Bank** –

www.sjnb.com. Moola Moola savings account for kids under 18.

• **Santa Clara County Federal Credit Union** – www.sccfcu.org. The boom! Teen Club for ages 13-19.

• **Santa Cruz County Bank** – www.santacruzcountybank.com. Boogie Boarder Banker savings account for kids under 18.

• **Union Bank of California** – www.uboc.com. Junior Bankers' Club account for ages 8-13 and Student ATM savings account for ages 14-17.

• **Valley Credit Union** – www.valleycu.org. Financial Freedom Package for teens.

• **Wells Fargo** – www.wellsfargo.com. College Checking account.

evil, you don't need a credit card," she explains. "If you can create for your children a healthy respect for or relationship with credit while they are still under your supervision, that's going to make for a far more responsible and better credit consumer."

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Making it Count

Although special bank accounts for teens and financial workshops can help parents in their quest to teach financial responsibility, some experts also advise parents to use their daily financial transactions as teaching tools. "Include your kids when you're balancing your checkbook," Dill says. "I wouldn't keep it a secret how much money you have in the bank account. Make it an activity that you go over with them; ask them what decisions you should make."

Dill also suggests including teens in financial decisions. "When you're buying a car, sit down and ask, 'How much money do we have in the bank? What type of car should we get?' And, of course, the kid's going to say, 'I want the Escalade' and you can say, 'We don't have that much money, we have this much money, what should we do?' Any type of interaction when you're doing normal day-to-day activities is an opportunity to engage your kid in learning."

Other experts explain that a teen learns from observing his or her parents. "The savings and spending habits of the adults in the home certainly lay the groundwork for the culture of what the young adults will be doing in the future," Wagner says.

Learning to save and budget now will help teens when they go off to college, so they don't end up spending money set aside for food and school expenses on things they want. Says Muniz: "Even though parents help with college education or any kind of higher education, we want the kids to be able to learn why it's important to go to college and how they [should] budget themselves if they're receiving financial aid or if their parents

TEEN FOCUS

are paying for school.”

Plus, learning how to budget and manage money now will pay off in adulthood when dealing with the shrinking of pensions, rising healthcare and housing costs, and uncertainties surrounding Medicare and social security, Medlin says.

“It’s not about how much money [teens] save – that’s irrelevant,” he explains. “What matters is putting in place the discipline

and the awareness required to make progress. Every adult, myself included, can look back on their own lives and identify financial decisions that they made when they were younger that, gosh, if they had been a little bit smarter, how different their lives would be today.” ♦

Corrie Pelc is special sections editor for *Bay Area Parent*™.

RESOURCES

Books

- **The ABC's of Making Money for Teens**, by Alan Lysaght and Denis Cauvier (Wealth Solutions Press, 2005).
- **Complete Idiot's Guide to Money for Teens**, by Susan Shelley (Alpha, 2001).
- **Money Management for College Students**, by Larry Burkett (Moody, 1998).
- **Money Matters for Teens**, by Larry Burkett (Moody, 2001).
- **The Motley Fool Investment Guide for Teens: 8 Steps to Having More Money Than Your Parents Ever Dreamed Of**, by David Gardner, Tom Gardner and Selena Maranjian (Fireside, 2002).

- **Teen Money Tips: Simple Steps for Banking, Saving and Making Money**, by Sanyika Calloway Boyce (Smart Concept, 2003).

- **Teenvester: The Practical Investment Guide for Teens and Their Parents**, by Emmanuel Modu and Andrea Walker (Penguin Putnam, 2002).

Organizations

- **American Bankers Association** – www.aba.com.
- **Boys & Girls Clubs of Silicon Valley Levin Clubhouse** – San Jose, 408-224-7997; www.bgclub.org.
- **California Jumpstart Coalition for Personal Financial Literacy** – www.cajumpstart.org.

- **ChooseCreditWisely.com** – www.choosecreditwisely.com.

- **Credit-ED Challenge** – www.Students.UseCreditWisely.com. “Show Me the Money” workshop and an online teen spending budget on their Web site.

- **JA (Junior Achievement) of Silicon Valley & Monterey Bay** – Santa Clara, 408-988-8915; www.jascc.org.

- **Money 101** – www.money--101.com.

- **National Council on Economic Education** – www.ncee.net.

- **Practical Money Skills for Life** – www.practicalmoneyskills.com.

- **Young Money Magazine** – www.youngmoney.com.