

local finance

Empowering Your Teen Financially

BY MARIELLA FOLEY, Contributing Editor – Finances

Last month I wrote about how to begin discussions about money with your younger children. This month's focus is on how to expand these discussions to engage and empower your teens.

The teen years are a period of growing independence, peer pressure and looking for acceptance. This can include wanting what "the crowd" has, whether it is electronic gadgets, designer brands, or the latest fashion trend. The combination of these can cause your pre-teen/teenager to forget the earlier "needs vs. wants" discussions and quickly spend through their allowance, leaving them to ask for more.

Consider some of the following suggestions:

- **Explain the concept of paying yourself first** – As the earning years begin, encourage your teen to save a portion of their earnings or gifts received every year. Incentivize savings by offering to match all or a portion of their savings once it reaches a certain amount. Encourage them to set financial goals and to accomplish them. If they want to make a special purchase, instead of loaning them the funds, help them come up with a plan to save for it without sacrificing paying themselves first. This will also teach them delayed gratification.
- **Have open discussions on the cost of living** – Explain how the family budget works. Make them aware of the cost of everyday items from groceries and gasoline to cellular plans and family vacations. Ask them if they would prefer to spend more on one family vacation or reduce monthly costs and take two vacations instead? Involve them in some of the decision making so that they experience and understand the process and feel the benefits.
- **Let them make mistakes** – This is very important—if they spend all their money, don't give them more. It will be a learning experience they will remember so that next time they might think twice about their choices. In time, they will understand on a much greater scale what they were taught as young children....that decisions have consequences.
- **Explain the dangers of debt if not used responsibly** – Explain to them how credit cards and loans work. Advise them to not fall prey to using credit instead of paying for it with their earnings or savings. Share a story of a lesson learned by you or someone you know to drive the point home.
- **Begin discussing investments with your teenager** – Consider funding a small investment account that you can use to teach your child about investing. Get them involved in the decisions and be sure to explain risk/reward. Let the statements be addressed to them so that they can look forward to receiving updates on their progress and be sure to review it together.

- **Let them contribute towards college costs** – While parents often strive to fully fund their children's college costs, consider having your child contribute something as well. This could include contributing some of their savings towards college costs, taking out a small student loan, or paying for incidental expenses with an on-campus job. This will help them take it more seriously and appreciate the sacrifices made.

Conclusion:

Knowledge is power for us as well as our children. The sooner parents begin teaching their children about financial responsibility and continue expanding on these discussions, the better off their children will be as they proceed through life. Every parent wants to help their child, but it is also important to teach them to stand on their own. Let them feel the consequences of poor financial judgment at an early age when the cost is minimal, so they acquire the experience they need to exercise good financial judgment in the future.



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