

From Ronda's Front Porch to Yours

Ronda White

Teaching Teens Money Management

Your teen has reached the age where they can earn their own income from a summer job. Now that they are receiving their own paycheck how do you teach them money management skills? Just as they have learned new skills from their summer job, it is also important for them to learn how to spend the money that they have worked hard for wisely.

As with adults, teens have a natural tendency to be a spender or a saver. Teaching them to use their money wisely at an early age will help them later on in life when they have larger financial responsibilities. Whatever spending habits they establish now could last for a lifetime so teach them responsible ways to spend and save.

The American Institute of Certified Public Accountants offers practical tips for helping your teen become money smart.

First of all kids mimic what they see from their parents. Parents should provide a good example of financial responsibility. Involving your children in money management activities is a good way to teach them how to manage money. Teach them how to budget, set financial goals, make wise purchases and begin to save and invest their money. Include them when you are paying monthly bills so they can see the cost of living for a family. Discuss monthly income and what that money is used for. Also, teach them how to buy things with money that has been budgeted instead of charging it to pay it out.

When your teenager gets a paycheck, teach them how to save and spend wisely. Help them develop a budget and divide it into three categories of essential purchases, savings and discretionary items. Explain the difference between a need and a want and help them prioritize their needs. Discuss with them the essential items you expect them to provide for out of their paycheck. These items could include car insurance, gas, telephone bills or school clothes. After establishing these goals, set up a savings plan. Be sure to leave some money for fun activities.

Make savings a priority for your teen. Teach them to plan for the future purchases they need to help with such as continuing their education. If they do not already have a bank account it is time to set one up. Teens with a job should open a checking account to learn how to use it. Teach them how to write and record checks and balance a check book against bank statements.

Teaching them consumer decision making skills will help them stretch their dollar at the store. Educate them on how to comparison shop by checking prices with different retailers. Buying generic brands or shopping at thrift stores will also help them save money. Teach them how to check the unit price of items to see if buying in bulk is cheaper than smaller unit items or if one brand is cheaper than the other.

If you are having a problem teaching them not to spend their money on frivolous things, have them log what they are spending their money on so they can see where it is going. They may not realize how much they spend on snacks, entertainment and other activities.

Before they head off to college they need to learn about credit. They need to know how credit cards work and understand that late or unpaid credit card bills can affect the ability to buy a house or car in the future. Teach them the hidden costs of the credit card and how interest charges work.

Talk taxes with your teen. When they receive their first paycheck taxes will be taken out. Explain how this money is used and let them know they have a responsibility for paying taxes at the end of the year if required, by filing returns.

Following these simple money management tips to teach your teen about money will give them valuable skills when they reach adult hood.

Source: Michigan State University, The American Institute of CPA's.

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