

What you need to teach your teenager about finances

What should parents teach their teenagers about finances? How can you help them avoid the lure of easy credit and overspending?

First, teach by example. Do you tell your youngster to save for the future when you don't set aside money for retirement? Do you finance your purchases with ever-increasing debt, or does your lifestyle show financial restraint? Children watch their parents, and learn.

Second, hold regular discussions with your kids about the rudiments of personal finance. When they're younger, you may want to provide an allowance to teach them budgeting and saving skills. As they hit the teenage years, you can show them how to balance a checkbook, use financial software, or read the business section of the newspaper. The teenage years are also a good time to discuss the dangers of credit card debt, the miracle of compound interest, and the wisdom of living within one's means. We learn by mistakes, too. That means you may need to let your teenager flounder a bit while learning the financial facts of life. When Joey spends his entire paycheck on pizza and movies and doesn't have enough left for that new bike helmet he wants, well, now he knows.

Third, when your teenager stands at the threshold of college, it's time for a refresher course. This is an opportunity to talk to your student again about credit cards, budgeting, emergency funds, and long-term savings. You may want to help your child open an IRA and choose a bank. This is also a good time to clearly delineate your financial responsibilities and those of your college student. Establish a set amount that you'll pay; anything beyond that amount is the student's responsibility.

Becoming a financial grown-up takes time, but you can give your teen a head start with some sage advice and a good example to follow.

If you have any questions, please contact our office.