

Smart Finances for Teens and Parents

Overview

- Teens
 - Working
 - Saving
 - Spending
- Parents
 - Role in teens' saving and spending
 - Tough conversations
- Resources

Three Aspects of Finances

Work

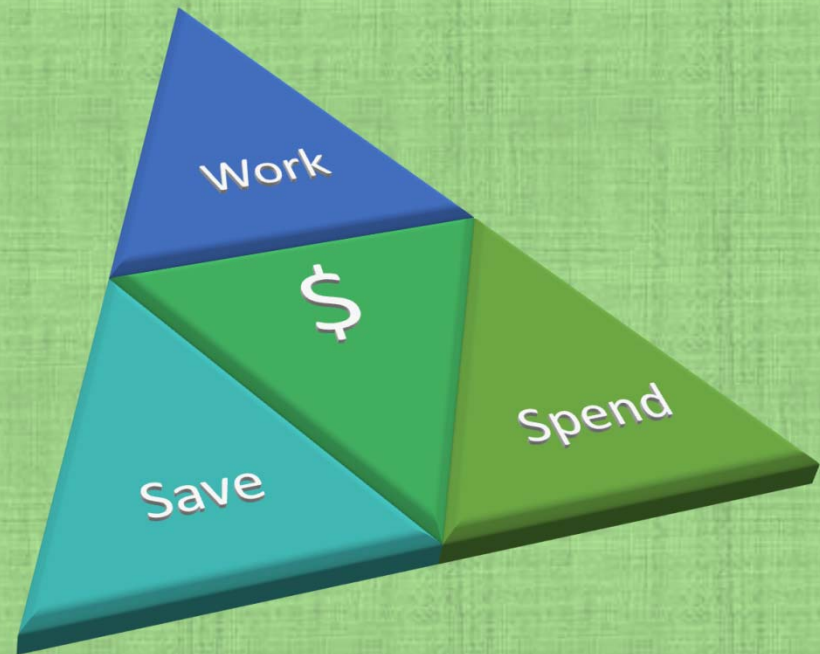
- Obtain your work permit at age 15.
- Start working at least during the summers.

Save

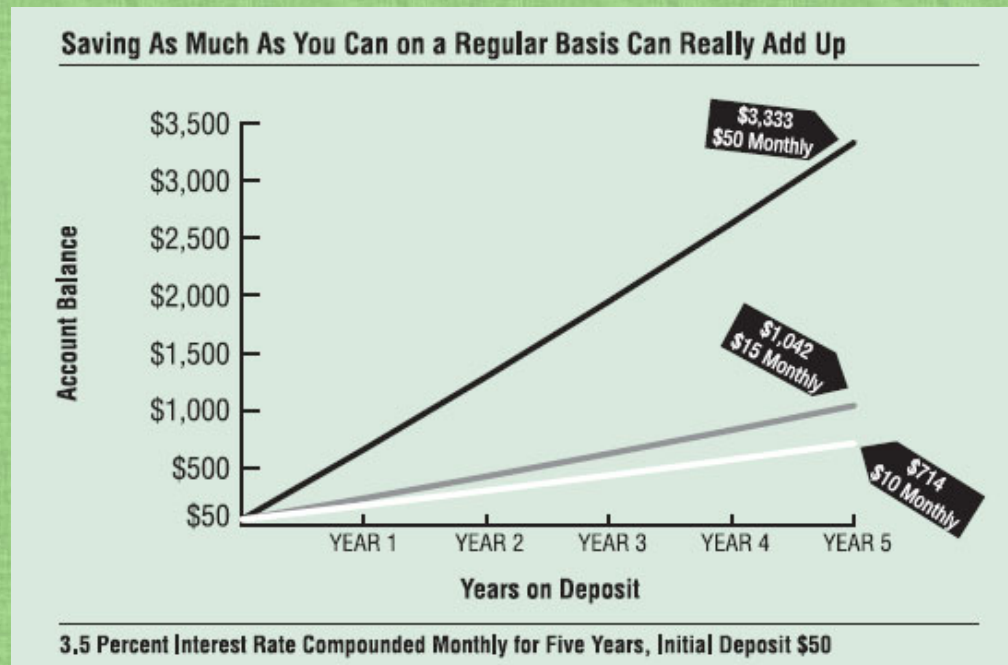
- Pay tithes and offering.
- Pay yourself. Save as much as possible!
- Compounding interest is powerful.

Spending

- Bank accounts
- Credit cards
- Debit cards



Saving: The Power of Compounding Interest



Source: <http://www.fdic.gov/consumers/consumer/news/cnsum06/amazing.html>

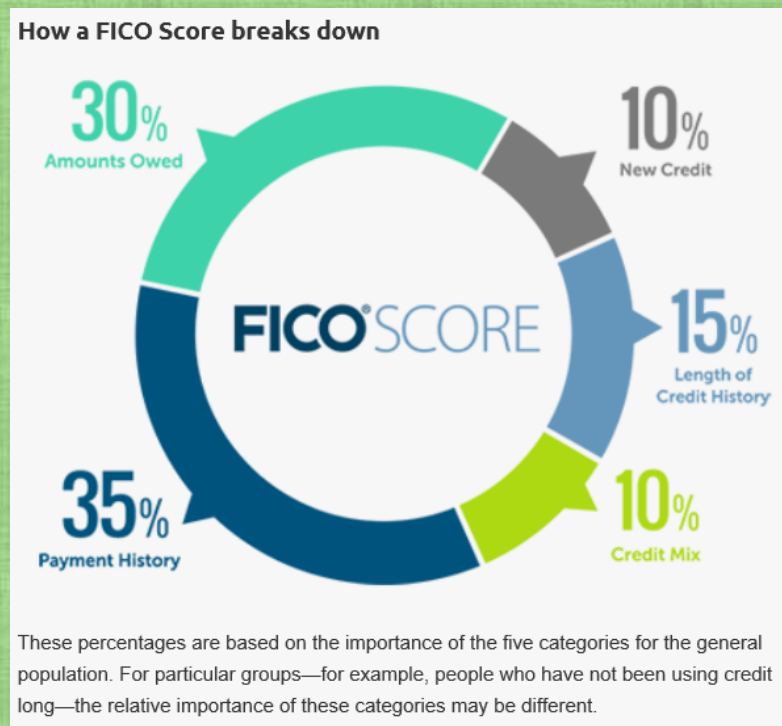
Account Management – Savings and Spending

- Bank accounts
 - Search for best interest rates.
 - Set up direct deposit from your paycheck.
 - Do not raid your savings.
 - Learn how to write checks and balance your checkbook.
 - Do not incur insufficient funds and overdraft charges.
- ATM
 - Avoid unnecessary ATM fees by budgeting your withdrawn cash and withdrawing from your bank or affiliated ATM.
 - If you withdraw from an unaffiliated ATM, you are charged a fee by your bank and the other bank. You are paying to withdraw your own money!

Spending - Credit and Debit

- Credit
 - Establish if and ONLY if you are responsible.
 - Credit
 - Determines your interest rate when borrowing.
 - Benefits of establishing early.
 - Difficulties in recovering from adverse credit events.
 - Cost of credit when paying just the minimum amount due.
- Debit
 - Direct link to bank account.
 - May avoid overdrafts.
- Credit vs. Debit
 - Liability for fraudulent purchases is usually limited to \$500 on a credit card, but is unlimited on debit cards.
 - A debit card does not establish a credit history.

Credit Score Factors (FICO)



Source: <http://www.myfico.com/crediteducation/whatsinyourscore.aspx>

Spending Psychology

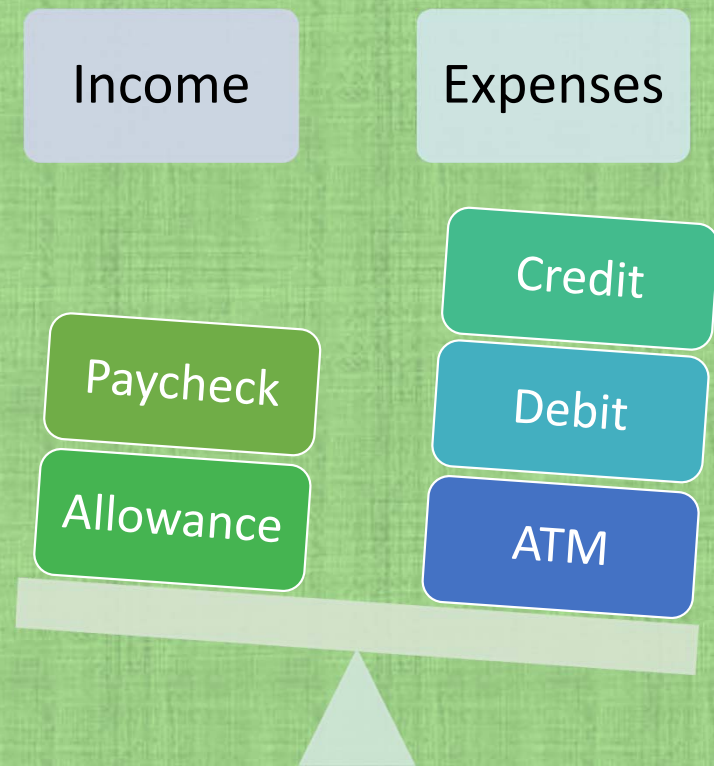
Advertisers appeal to four desires:

- The need to be like others (conformity)
- The need to be better than others (superiority)
- The need to be attractive to the others
- The need to have what others have (covetousness)

- Godliness with contentment is great gain. (1 Tim. 6:6)

Living on a Budget

- Elements of a budget
 - Income
 - Expenses
 - You are off-budget if expenses exceed income.
- Questions
 - Can I afford it?
 - Do I **NEED** it?
 - Will I still want this next year?
 - Why do I want this?
- Monitoring your budget



Can You Afford It?

- Teenager with a \$50/month allowance wants to buy a bright pink Michael Kors purse for \$209.
- Teenager with a \$7.25/hour job works 10 hours/week and wants rainbow colored Kevin Durant (KD) tennis shoes costing \$155. The last KDs came out four months ago.
- Eighteen-year old wants a car that costs \$8,600. The insurance will be \$2,400/year. Maintenance and gas are additional charges.
- Twenty-year old wants to hang out with friends in Orlando for spring break. The lodging cost per person is \$62/night for five nights. Tuition is due the following week.

Parents' Role in Teen Saving and Spending

- Enforce financial disciplines.
 - No one can have everything he/she wants.
 - We work for what we have.
 - It's never too early to talk to your youth.
 - Everyone must pay tithes.
 - Some things are worth waiting for.
 - Goal is for your teen to learn financial independence.

Tough Conversations

- Discuss financial expectations BEFORE applying for post-high school opportunities.
 - Who will be responsible for college expenses: tuition, room, board, food, books, transportation, etc.? *Parents, you must consider if you will be able to contribute and also meet your financial goals (e.g., retire by a certain age).*
 - If college loans are necessary, whose name will the loan(s) be in? Who will be responsible for paying the loan(s)?

Resources

- <http://choosetosave.org/> (For parents and teens)
- <http://www.moneyasyougrow.org/> (Sponsored by the President's Advisory Council)
- <http://www.mymoney.gov/Pages/for-youth.aspx> (Sponsored by Treasury Dept.)
- Dave Ramsey's Generation Change

MONEY AS YOU GROW



20 THINGS KIDS NEED TO KNOW TO LIVE FINANCIALLY SMART LIVES

1 YOU NEED MONEY to buy things.	5 You need to MAKE CHOICES about how to spend your money.	9 You should SAVE AT LEAST A DIME for every dollar you receive.	13 When COMPARING COLLEGES , be sure to consider how much each school would cost you.	17 You should use a credit card only if you can PAY OFF THE MONEY OWED IN FULL each month.
2 You earn money by WORKING .	6 It's good to shop around and COMPARE PRICES before you buy.	10 Entering personal information, like a bank or credit card number, online is risky because SOMEONE COULD STEAL IT .	14 You should AVOID USING CREDIT CARDS to buy things you can't afford to pay for with cash.	18 You need HEALTH INSURANCE .
3 You may have to WAIT BEFORE YOU CAN BUY something you want.	7 It can be costly and DANGEROUS TO SHARE INFORMATION online.	11 The sooner you save, the FASTER YOUR MONEY CAN GROW from compound interest.	15 Your first paycheck may seem smaller than expected since MONEY IS TAKEN OUT FOR TAXES .	19 It's important to save at least three months' worth of living expenses IN CASE OF AN EMERGENCY .
4 There's a difference between THINGS YOU WANT and things you need.	8 Putting your money in a savings account will PROTECT it and pay you interest.	12 USING A CREDIT CARD IS LIKE TAKING OUT A LOAN ; if you don't pay your bill in full every month, you'll be charged interest and owe more than you originally spent.	16 A great place to SAVE AND INVEST MONEY you earn is in a Roth IRA.	20 When investing, consider THE RISKS AND THE ANNUAL EXPENSES .

moneyasyougrow.org

3-5 YRS

6-10 YRS

11-13 YRS

14-18 YRS

18+ YRS

Closing and Questions

Thank you for being a hearer and doer!