

Money Talks



To Teens
and their families

Volume 3

Brought to you by your local bank and the ABA Education Foundation

Quick Tips to Help Your Teen Save Money!

1 Give your teen another good reason to study. Proof of good grades often can lower a teen driver's car insurance rate.

2 If your teen gets a summer or part-time job, suggest direct deposit and splitting his earnings 50/50 into savings and checking accounts.

3 If you loan your teen money, ask them to pay you interest — just like a regular loan.

4 If your teen complains that he doesn't have something that his wealthier friend has, be honest about what you can and cannot afford and your family's priorities.

Helping Teens Manage Money

While teens are dependent in many ways, they can exert some independence by paying for their own movie tickets and clothes, and even college education or car payments. Working at a retail store, waiting tables at a local restaurant or being a lifeguard at the pool during the summer months will have a lasting effect on your teen, especially if you help her manage her earnings.

Advising your teen in money management can be tough, so it's important to take advantage of teachable moments. Once your teen has a job, help him or her set up a budget and open a savings and checking account.

Distill your budgeting lesson to three steps. First, ask your teen to total her income. Remember to have her subtract taxes from her total earnings (see Tax Terms).

Before totaling her expenses, your teen must know what bills she is responsible for and what you'll cover. For example, you might be responsible for paying for her car insurance, but she will be responsible for her cell phone bill. Next, have her estimate how much she will spend on things she needs, such as that cell phone bill and gas for the car and how much to spend on things she wants, like concert or movie tickets.

The third step is to subtract what she plans to spend from her total income.

- If there is money left, encourage a regular savings plan.
- If the amount left over is zero, it means she planned to spend every cent.
- If the amount is negative, you have a serious spender on your hands.



Tax Terms

Explain these terms to your teen before she gets her first paycheck and asks, "Who's FICA and what's he doing with my money!"

FICA – Federal Insurance Contribution Act – requires employers to withhold 6.2 percent of their employees' earnings. This is used for Social Security and Medicare funds.

Federal Income Tax – money taken out by the federal government to run national programs

State Income Tax – money taken out by the state government for state-run programs

Money Management (continued)

If your teen falls into the first category, it's time to talk about saving. Most employers offer direct deposit, allowing your teen to have her paycheck electronically deposited, with either a set dollar amount or percentage of the total automatically routed into a savings account. Experts agree that "paying yourself first" is a great way to save and it's also a very common practice in the workplace with 401K plans and other retirement programs.



My Teen's Too Busy for a Job!

Have a super-involved teen living in your home? You know the type, rushing off from one extracurricular activity after another?

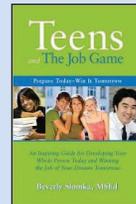
Teens in this category might not have time for a traditional job, but they can still earn money. Busy teens can band together with friends to start up a flexible small business walking dogs, baby-sitting, mowing lawns or doing odd-jobs for neighbors to earn money.

If she falls into either of the last two categories, review and revise her budget together. Does she plan on going to the movies once a week or buying a new pair of shoes with her first paycheck?

Grasping the difference between wants and needs is tough for teens. Peer pressure may lead her to believe she *needs* the latest video game system or iPod *right now*. Instead of giving in to the product of the moment, suggest removing big ticket items from her expenses and saving for them over a short-term period. That way she can save a specific amount each month and won't wipe out her everyday reserves.

Check Out These Books!

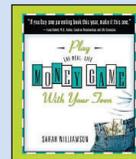
Visit your local library or bookstore ...



Teens and Job Game: Prepare Today — Win It Tomorrow

Beverly Slomka
A great read for teens looking for a part-time job now or their dream full-time job later in life.

Practical guidelines help students mold their image and interact with employers, and lead them to a successful work experience.



Play the Real-Life Money Game with Your Teen

Sarah Williamson
Written by a parent, tested on teenagers, this

book is an easy and fun approach to building your teen's financial skills, resolving conflict around money issues, and helping your son or daughter become a financially responsible adult.

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NEFE High School Financial Planning Program

<http://hsfpp.nefe.org/home>

According to the home page of the National Endowment for Financial Education's High School Financial Planning Program, "parents worry about talking to their teens about two things — and money is the other one!" NEFE's high school curriculum includes sections for students and parents, so they can learn about money management together.

Motley Fool — Teens' Personal Finance Section

<http://www.fool.com/Teens/Teens01.htm>

The Motley Fool, a popular personal finance Web site operated by the publication of the same name, brings candid and practical money advice to teens. Articles on everything from allowance to investing, your teen will find a lot of good information here.



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