Financial Wellness Tip
April 2017

Teens & Money

One of the major landmarks in the journey to freedom and adulthood for teenagers is transitioning from depending on parents to managing money and expenses on their own. Here are just a few suggestions for parents to help teens establish and develop good money habits:

Help your teen open a bank account of their own.

A savings or checking account will allow a teenager to save money, make purchases, and pay his or her own bills. Taking a direct management role in their finances can help them learn how to work toward goals and avoid costly errors and fees. Parents can use any mistakes to reinforce lessons that may stay with teens for a lifetime.

Develop good credit management skills.

Many young adults have a tendency to lean too heavily on credit without truly understanding any of the potential implications. Significant, long-lasting damage can be done in very little time. Teens need help understanding that a mismanaged credit score can limit their ability to qualify for leases, loans, insurance, and mortgages. And how all that interest they're paying takes a toll on their savings for goals and dreams.

Parents should explain how credit works and how purchases can become dramatically more expensive once the cost of interest is considered. Sharing a credit card or auto loan with your teen can be a good way to help demonstrate the basics, and can serve as a great introduction to the long-term impact of borrowing money.

Discuss the economics of higher education.

Today's high school students (and sometimes their parents, too) are often ignorant and unprepared for the financial realities waiting for them on the other side of graduation. As higher education decisions appear on the horizon, parents should start early to help teens balance costs and benefits of the education and career paths ahead of them. Student loan debt can be a crippling financial burden that may stay with individuals long after graduating. Planning ahead long in advance can help mitigate the impact.