

Accounting for your Adolescent: Teens and Money Management

Currently, teens and their parents are in the “now” generation. Due to credit cards and online shopping, they are able to obtain whatever they want, whenever they want. Unlike their grandparents, the present generation did not live through “the Depression,” and were not forced to learn the same financial coping skills.

Along with generational factors, advertising is also an issue affecting teen money management. Advertisers directly market products to adolescents. Popular teen celebrities are integrated into their marketing strategies, influencing teenagers to buy unneeded items.

As a result, today’s adolescents are pressured to spend money, and are left without the proper tools to budget their finances.



Credit counsellors, Heather Cudmore and Dave Pearson offer some helpful hints on how to teach your teenagers good money management skills.

Start Budgeting Young

Because kids are very impressionable, discussing good financial behaviour with them at an early age is very important. According to Robert Seith’s “Teens Flunk Finances”, only 42% of children in grades 8 through 12 said their parents discussed finances with them on a regular basis.”

Parents are role models to their children. It is essential for kids to see both parents involved in overall family budgeting, which teaches them that women and men can take an active role in financial planning.



Teach Teens the Art of Saving

Create a “spending plan” with adolescents. Help them to decide what to spend and what to save by setting short-term goals, which may include saving for a bicycle or for Christmas presents.

Communicate about the cost of living with your teenagers. Talk to them about mortgage rates and cell phone bill expenses. You might say something like, "to live in this house costs \$1000 a month" or "the monthly fee for your cell phone is \$35 – that's \$420 a year!" Most teens would probably be amazed at how much things actually cost.

Parents should be reasonable with gifts they give their teens. When money and material goods come too easily, adolescents may develop the attitude that they can have anything they want with minimal effort.

Allowances and part time jobs are excellent ways to teach your teenagers to handle their money constructively. Do not tie allowances to chores. Because chores are just a part of being a family, experts advise parents to not reward the behaviour.

Remember to encourage teens to save a percentage of their incomes no matter how little money they are making.

Help your Adolescent Establish Good Credit

Credit is too easy for teens to get. High school graduates can obtain a "grad" kit from their bank to request as many credit cards as they want. Parents should reinforce the idea that only one credit card is needed in case of an emergency. If your teenager tends to be reckless with money, encourage them not to apply for a credit card.

Advise adolescents that credit is not free money, and has to be paid back. Teens should know that deciding to not pay a bill could affect their credit ratings for 7 years, which can show up in their permanent credit files. It is important to let teenagers know that too many negatives in their files may result in future difficulties obtaining an apartment or financing a car. Parents should emphasize that good credit ratings could qualify someone for a lower interest rate versus the maximum interest rate at the bank.

Develop Guidelines for the Use of Debit Cards

Although using debit cards are more financially sound than credit cards, it is still important to talk to your teenagers about how to use them carefully.

Encourage your adolescents to keep track of their debit card usage and transaction fees. This is a good way for teens to learn how to balance a chequebook.

If your teenagers are having trouble managing the use of debit cards, promote the use of cash.

Remember, helping your teenagers to practice good budgeting habits now, helps them continue these routines into adulthood.

