
Money Concepts for Teens

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Background – The Why

- Every year over 700,000 Americans file for bankruptcy. (data from 2006-2019)
- 60% of Americans live paycheck to paycheck. (Motley Fool)
- Financial Education is not taught in all schools.
- Money is less tangible than ever before.

Background – The Why

- 59% of parents provide financial support to adult children no longer in school.
- When young adults don't become financially independent, the parents risk their financial freedom and survival in their golden years.

Teens and Money

- Society has trained us to believe that our #1 priority as parents is to make our kids feel safe and secure. - WRONG
- Top priority is to **give our kids the skills they need** (including financial skills) **to live independently from us.**
- Covid has delayed adulthood and caused more regression.

Teens and Money

- Today we will cover:
 - 10 things your teen should know about money before they graduate from high school.
 - How to raise financial grown-ups:
 - 3 Things to do now to set your teen up for success

10 Things

**Kids Should Know About Money Before They
Graduate from High School**



#1 Lifestyle Costs

- What does it cost to maintain my lifestyle?
 - Cell phone
 - Insurance
 - Housing
 - Food
 - Transportation
 - Clothing
 - Entertainment
 - Memberships
 - Gas
 - Car repairs
 - Streaming services

#1 Lifestyle Costs

- Autopay makes things easy for parents but might be missing out on a lesson for kids.
- Help them determine what goes out each month.
- What kind of disposable income do they have now with jobs and/or allowance?

#2 Opportunity Cost

- Money is finite – when it's gone it's gone.
 - Once you spend it somewhere, it can't be used for something else.
 - Choices and tradeoffs.
 - Tricky because money is now “invisible”

#3 Delayed Gratification

- You can't have everything the minute you want it.
 - This is a tough one because credit cards allow us to buy things we can't always afford.
 - 24-hour rule – it's good to wait and think about a purchase instead of impulse buying.
 - Model self-control, give examples of how you've gotten tripped up in the past and/or when delaying gratification served you well.

#4 Make Saving a Habit

- Save a dime for every dollar you earn.
- Good to get in the habit of this every time they earn money.
- Some savings is for the short term and some for the long term.

#5 Concept of the Emergency Fund

- Target is 3-6 months' worth of spending needs.
- Life is full of surprises – pleasant and unpleasant.
- 51% of American Adults would have trouble paying for a \$400 emergency expense.
- With no emergency fund, debt is the band-aid that impacts your ability to spend future income.
 - Hard to get ahead of – vicious cycle

#6 The Power of Compound Interest

- Interest and returns can be amazing if you put your money to work through investments.
 - Roth IRA
 - Stock purchases of companies they support
 - Investing builds wealth while you sleep.
 - The sooner you start, the faster it grows

#6 The Power of Compound Interest

- Starting sooner pays off
- Aliyah and Paige
 - Same investment allocation
 - Same monthly investment
 - Different start dates

Investor	Monthly Amount Contributed	Years Contributing	Balance at age 65
Aliyah	\$200	Age 25–35 (10 years)	\$400,138
Paige	\$200	Age 35–65 (30 years)	\$298,071



#6 The Power of Compound Interest

Hypothetical Growth of \$10,000 Invested in S&P 500 1/1/1980 to 1/1/2019
Growth of \$10,000 invested January 1, 1980



Source: FMRCo, Asset Allocation Research Team as of 1/1/2019

#6 The Power of Compound Interest

- Take advantage of company retirement plans when get full time job.
- Invest in a Roth IRA or individual account to start growing wealth.

#7 Credit Cards

- Interest can work against you as well.
- Credit cards are not free money.
 - If you don't pay it off each month, you'll end up paying more for the item than it actually cost.
 - Would you pay \$100 for an item that's only worth \$70?
 - Dangerous if not handled well.
 - Quickly adds up and can get out of control.
 - Show them the high interest rate.

#8 Taxes

*“In this world, nothing can be certain
– except death and taxes”*

– Benjamin Franklin

#8 Taxes

- Their first paycheck will be smaller than they think.
- Explain what taxes pay for in your community.
- Good to understand how this works well before they start their full-time jobs.

#9 It's Good to Compare Prices

- It's good to shop around before you buy.
- Would it cost less somewhere else?
- Can you buy it used at less cost?
- Coupons/discount codes/scholarships
- Do I really need to own it? Can I borrow or rent it instead?

#10 Insurance

- Why we have it.
- How it works.
- How much it costs.
 - This is an expense that surprises college students and young adults
- Health, Auto, Home, Renters

The Full List of 10 Things

1. What does life cost?
2. Opportunity Cost
3. Delayed Gratification
4. Save a dime for every dollar you earn.
5. The importance of an Emergency Fund.
6. The Power of Compound Interest
7. Credit Cards are like a Loan
8. The Concept of Taxes
9. Compare Prices
10. Insurance

3 Things to Do Now

1. Let Them Practice and **FAIL**
2. Practice Goal Setting
3. Have “The Talk”
 - (not *that* talk, silly! – post high school planning)

Let Them FAIL

- Let them practice
 - Experience hard choices and tradeoffs 1st hand.
 - Put the funds you would normally spend on them for clothing, entertainment, etc. and let *THEM* manage it.
 - Skills they will need to be successful on their own.
- Let them *FAIL*
 - While the stakes are lower.
 - The lessons that stick are learned by experience.
 - Consequences help young minds connect the dots.

Goal Setting

- Help them set goals and make a plan to reach them
 - Looking at income to see how long it will take to save up for it.
- Celebrate successes
- See failures as learning opportunities
 - Now that we know better, we can do better
- Matching programs for big goals
- Accomplishing goals is a great positive affirmation
- Builds Grit

“The Talk”

- At age 14, you should have ongoing conversations about their post high school plans
 - College? Trade School? Straight to Work? Nomad Year?
 - Costs and Tradeoffs for each
 - What type of lifestyle does that career choice afford them?
 - If College or Trade School – who pays what?
 - Set expectations
 - What resources are out there
 - Why grades and activities matter
 - What type of salary will your degree bring in and how much in loans is required to pay for it?

Getting the Adult Child off the Payroll

“If he is capable, he can make his own money, if he’s not, he’ll just be wasting mine”

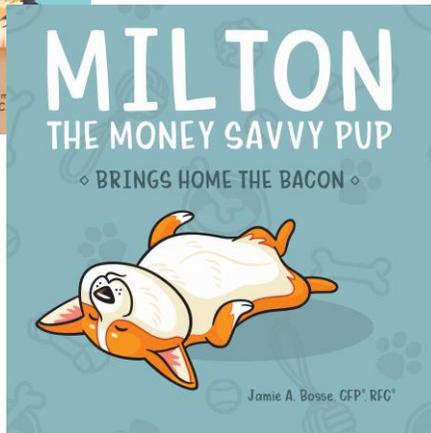
– Jackie Chan

(on why his son is not getting an inheritance).

Teaching Teens Financial Lessons and Values

- We are doing the best for our kids by empowering them to be independent and stand on their own two feet.
- Give them the tools to build a great life for themselves.
- The sooner you start the better.
- Kids with healthy money habits grow into adults with healthy money habits.

THANK YOU!



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