

12 easy conversations about money



Discussing money with our teenagers can be one of the more difficult responsibilities we have as parents. But no matter what your parenting style or your philosophy about money, we all share a common goal: we want our children to be happy and successful.

Here are some ideas for everyday opportunities to have constructive conversations about money. By providing the necessary structure and context, using one or more of these ideas may help make teaching financial sense to your teen less stressful for you both.

Earning money

Associate allowance with accomplishment. To be financially responsible adults, teenagers should earn the things they want. For example, if you provide an allowance, make it contingent on your child's performance of family household duties. Provide older children with greater responsibilities that are tied to larger allowances. Talk with your children about your "rules for receiving an allowance" and thank them for doing such a good job on allowance day.

Make purchases personal. Next time your younger teen asks for money for a non-essential purchase, talk about how money represents the value of human labor, then have them contribute some of their allowance to buy the item. For larger purchases,

a loan against their allowance may be an appropriate way for them to earn the item they want.

Encourage age-appropriate jobs outside the home. For older teens, encourage them get summer jobs (or part-time jobs during the school year) to help them fund their entertainment and social expenses. This provides an ongoing opportunity to talk about the work they are doing, the responsibilities of having a job and the money they are earning to spend on the things they want.

Managing expenses

Take your teenager grocery shopping. Talk with them about how the food the family eats is a significant part of the family budget. Show them how to compare prices and use coupons to save money. Give them a fixed amount to spend on the snacks they enjoy, then let them choose which groceries are purchased with it. When you get home, help them make a personal budget, based on the lessons they learned at the grocery store.

Discuss your next major expense. If you are buying a car or going on a vacation, talk about how you plan for a purchase like this, the process of budgeting for it, and delaying gratification on smaller things for a bigger purchase. Also talk about what would happen if an unexpected major expense came up, like a costly home repair.

Point out the consequences of over-spending. If your teen asks for an advance on allowance or a loan until the next paycheck, ask them to take mental inventory of what they have to show for their spending decisions. Before giving them a short-term bridge loan, talk about how their financial choices today can affect their ability to buy or do the things they want in the future.

Financial concepts

Review the family budget. When paying your bills, ask your teenager to help. Show them how you budget and what it really costs to keep your family running. Talk about the importance of forecasting expenses and tracking what you spend.

Look at financial statements together. Next time they come in the mail, show your teen how to read bank and credit card statements. Talk about how fees and interest expenses can affect account balances. Discuss late payment charges and talk about the consequences of getting behind.

Explain financial institutions and tools. Use the new account solicitations you receive in the mail to talk with your teen about what banking, insurance and investment services are used for. Point out the differences between checking and savings accounts, certificates of deposit and mutual funds, stocks and bonds, 401(k) accounts and IRAs, etc.

Empower them to take control.

Introduce your teen to the important role interest, especially compounded interest, may play in their lives. Financial calculators on the internet can show how interest charges can limit your teen's financial future if it accumulates on credit cards and can open doors to opportunity if compounded interest works to their advantage in a savings or investment account.

Conserve energy and reduce utility expenses.

Talk to your teen about responsible electricity or water use. Instead of scolding them for not turning off lights and electronic devices, or taking long showers, show your teen how to read the electric bill or how the water bill is calculated. This can be a good way for your teen to see their impact on the bills and a great opportunity to talk about ways they can help conserve energy.

Remember to praise your teenager.

Positive reinforcement is a powerful motivator. Commend your teen when they demonstrate they have grasped an important concept or accomplished a financial goal. If you sincerely congratulate them when they show financial maturity, they will learn behaviors that will suit them well in adulthood.

Next steps

Use these tips to start talking with your teens today. Remember that it's easier to approach these topics in bite-size pieces, taken over time. And don't forget that your good fiscal example is the best possible conversation starter.