

# Money sense for teens

Ages 13–17

The teen years are an exciting stage of life. Between high school, extra-curricular activities, friends and maybe a part-time job, they can be really busy too. Being a teen means being more independent and learning the life skills you'll need to be on your own. One of those skills is responsible money management. Understanding how to make money, how to save it and how to spend it wisely will make your teen years—and your future—a lot more fun and a lot more comfortable.

## Where does your cash come from?

If you aren't already getting a weekly or monthly allowance to cover some of your basic expenses, talk with your parents about starting one.

Another way to earn money is through a part-time job like babysitting, working in a grocery store or local fast-food outlet. If you've got an entrepreneurial streak, why not start up your own business, like dog walking, lawn mowing or snow shoveling? You can set your own rates, your own hours and you can work in your own neighborhood, making transportation a non-issue. Make up some great flyers advertising your services and then deliver them in person. If you can introduce yourself in the process, you may come home with your first booking.

You might also receive cash gifts from time to time, maybe on your birthday or another special occasion. You might want to add those funds or a portion of them to your savings.

## Budgeting basics

Knowing where your money is coming from and where it's going are key. A budget puts all of that information in one place and helps you manage your spending and save for your goals.

Basically, a budget records all of your income sources and all of your expenses. Once you've subtracted your total expenses from your total income, you'll be able to see where you may need to generate additional income or where you have a surplus. Remember, a budget is a guideline to help you stay on track. You'll need to adjust it from time to time as your needs change. And if you don't follow it perfectly all the time, don't stress about it. Money management is an ongoing learning process.

### Online budget help

Use an online budget calculator or download one of the many free apps on the app store of your choice. Record all of your expenses and income—you supply the numbers, it does the math.

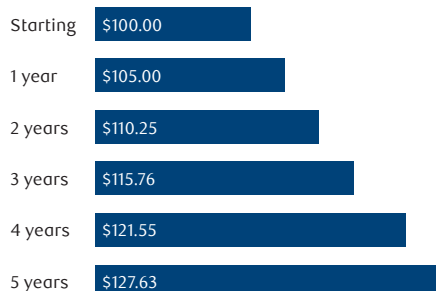
## Smart saving

Most experts recommend the save-spend-share concept when it comes to handling your money. This means that whenever you receive money, you put some aside in savings right away (a good guideline is 10%), you possibly put a similar amount aside for charitable donations and you spend the rest.

Where you keep your money is another important consideration. Keep your money in your wallet and nothing exciting happens to it. Keep it in the bank or invest it, and that money will grow more money. If you don't already have a bank account, ask your parents or meet with their banker to open a student bank account. You'll get your own debit card (if your parents allow this), and your money will earn interest. If you are interested in learning more about investing, ask your parents if you can meet with their financial professional to learn the basics.

### How compound interest works

The amount of interest your money earns in a bank account depends on the interest rate. If the rate is 5%, for example, in a year a \$100 balance will grow to \$105.



### The ABCs of credit

During your teen years, your parents may decide it's time for you to have your first credit card. Why? Using credit responsibly is another important life skill. You will need to use credit when buying your first home or car, and now is a good time to learn how to use it wisely.

Having a credit card is a big responsibility. Your parents and their banker or financial professional can help you better understand what credit is and how to use it wisely. Make sure you do your research before you sign up for your first credit card. You should think about annual fees, interest rates and spending limits. There are also a lot of different perks and rewards for different kinds of cards.

Once you find a card you like, you will need to find out the associated costs and interest rates with the card, then decide if it's the right card for your needs. Don't forget, you can always ask your parents and their banker for advice and help in finding the best option for you.

The key to managing credit is to keep it simple, to spend only what you can afford to repay and to make all of your payments on time.

### Interested in investing?

As your savings grow, you may want to start exploring the world of investing to help them grow even faster. There are two main types of investment accounts: qualified and non-qualified.

Qualified accounts are usually set aside for retirement. The money in the accounts generates tax savings for the year in which you deposit the money. Non-qualified accounts (which include stocks, bonds, mutual funds and more) can be used to save for shorter-term goals, like buying a car. Your parents' financial professional can help you learn more, open your first investment account and develop a plan designed to help meet your goals.

### Giving back

At this stage of your life, you may already be making regular contributions to your community through community service, charitable donations or both. You may also have your own views on the charities you'd like to support, either on your own or through your family. Consider researching a charity. Is it a registered charity? What do they use the funds for? When recommending a cause at your next family meeting, provide a sound case for support in your presentation, and your family may well incorporate your suggested charity into its annual philanthropic plan.

### What's important to you?

Looking ahead toward life after high school can be a lot to think about. Your parents' financial professional can offer advice as well as a wide range of materials to help in any or all of the following areas:

- Planning for college
- Budgeting
- Starting to invest your savings

### Parents' corner: Information for your parents to read

At this stage, consider depositing your teen's allowance directly into their bank account on a monthly or quarterly basis to reinforce basic banking and budgeting skills.

Discuss budgeting and saving strategies to help your teen save for a special purchase. Consider introducing a credit card and closely monitor your teen's use of it. Their understanding of credit will help to instill responsible borrowing habits for the future.

Ask your financial professional for a copy of the Money matters for young professionals Wealth Insights workbook. It is designed for young professionals between the ages of 20 and 30; however, the information is relevant for your teen. Review the information with your teen, and your financial professional can help answer questions you may have.

If you wish, your financial professional can help to coach your teen on budgeting, credit and preparing for the financial aspects of college. If you are looking for ways to help your child build their savings, consider having your financial professional discuss investment basics with them. Or take the next step and consider depositing their savings into basic investments like bonds or mutual funds.

## **Seven ways to protect yourself against theft and fraud**

1. Never give out your Social Security number (SSN) unless you're filling out a government form like a tax return. Your SSN provides access to a lot of information about you, and it should be carefully protected.
2. Never leave your debit or credit cards or wallet/purse unattended at work or in your car's glove compartment. Both are common targets for thieves.
3. If you're away on vacation, take cash or traveler's checks with you whenever possible and store your credit cards in the room safe or hotel safe.
4. Plan for what you'll need, and take only that amount of cash with you for a night out with friends (this will protect your cards and your budget).
5. Record your credit cards and their numbers, and keep the list in a safe place. This will be helpful if you need to report a lost or stolen card.
6. If your card is lost or stolen, notify the credit card company immediately.
7. Review your monthly financial statements carefully. If you notice any transactions not made by you, contact the bank or credit card company right away.

## **Take advantage of experience**

Learning the money skills you'll need to make it on your own is no small task. Your parents, maybe even your grandparents, and their financial professionals are there to help you learn all about how to earn it, save it, share it and spend it wisely. Don't be afraid to ask lots of questions.