Parents can help teens learn to manage their money

Family fundamentals

My children are entering their teen years, and I want to help them learn to properly manage money. Are there guidelines out there?

You're smart to be thinking this way. Each year, the investment firm Charles Schwab teams up with the Boys and Girls Clubs of America to sponsor a Teens and Money survey of 13- to 18-year-olds across the country. The 2007 survey found that most teens (63 percent) believed they were knowledgeable about money management, but when asked specifics, most admitted significant gaps, including how to establish good credit, whether a check-cashing service is worth the cost, and how investments and income taxes work.

Some basics to focus on include how to set financial goals and live within a budget; the importance of balancing the checkbook and otherwise keeping track of your money; and learning about interest rates — both interest earned on savings and investments, and interest paid on credit cards and other debts.

Setting financial goals is a key element often overlooked not only by teens but adults. By examining short-term, intermediate and long-term goals, young people learn the importance of setting money aside and, at times, delaying gratification for a worthwhile, longer-term aim. The high level of American credit card debt shows that not everyone has learned this lesson — and, because of high interest rates, they are paying plenty for it. Help your teens focus on specific, measurable, realistic goals within defined time frames.

Often, teens simply aren't aware of where their money goes. Again, you can help by encouraging them to keep track of every dime they earn and spend for a full week. Then, review the information with them. Are they surprised at how much they've spent on snacks or other consumables? Can they change their spending habits to save more money for college, a car, or other long-term goal?

In addition, don't forget to help your children understand how interest works. High interest rates on debt can add up quickly. The Schwab survey found that nearly 3 in 10 of the teen respondents were already in debt, owing an average of $293. About 40 percent of them were concerned about paying the money back. Don't hesitate to help your teens understand the pros and cons of borrowing money. But interest on savings can be incredibly helpful: A small difference in interest rates can make a big difference in how fast money can grow in savings or investments.

You can find lots of information on financial literacy on the Web. One example is from the National Endowment for Financial Education, which has a complete High School Financial Planning Program at http://hsfpp.nefe.org. While these materials are designed for the high school classroom, you can browse the site and use the information in a way that makes sense for your family.

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