

# Money Talks



To Teens  
and their families

Volume 2

Brought to you by your local bank and the ABA Education Foundation

## Quick Tips to Help Your Teen Save Money!

**1** Each time your teen's income totals a certain amount, require him or her to place a specific amount or percentage of the income into a savings account.

**2** Better yet, set a rule that each time his savings account reaches a established target amount, he must open a Certificate of Deposit to take advantage of the extra interest paid. Some CDs can be opened with as little as \$100.

**3** Encourage your teen to keep track of cell phone minutes and text messages. A simple \$50 plan easily can become a \$500 bill if your teen goes overboard communicating with friends.

**4** Encourage your teen to go with you to the grocery store, or at least make a list of items he or she likes. This way, your teen will be able to eat at home and will have an excuse not to spend as much on meals out of the house.

## Which Should You Choose for Your College-Bound Teen: Credit or Debit?

Your teen might be heading to college in the near future, and will need access to cash and a way to pay for essential expenses (and sometimes non-essential items like a late-night pizza). One option is a checking account with a linked debit card; the other is a credit card.

If your teen is up for the challenge of maintaining a checking account, a debit card is a useful tool. Debit card transactions are just like checks, only the processing time is usually faster. Debit transactions are exactly what they sound like — the money spent is automatically taken out of the account. If the account does not have adequate funds for the transaction, the purchase can be denied or accepted with an understanding that there will be overdraft fees.

Debit's advantages are that the account holder can only spend what is available. On the downside, debit cards don't hold an extra amount in reserve in case of an emergency.

Credit is also a useful tool, but it is not free money. Purchases up to the credit limit will be accepted and if he or she is unable to pay for the purchases, interest on the balance will be calculated from an annual percentage rate (APR). If your teen misses a payment or sends a late payment, that APR can increase — that fact is one of the drawbacks.

Credit also has its pluses. It's useful in an emergency situation and establishing a positive payment history will increase the likelihood that your student will be able to finance major purchases like a car or home someday.

Talk to your teen and your local banker, be honest about your financial situation and choose what is best for your teen.



### Debit or Credit?

#### Debit - Pros

- easy access to cash
- fast and convenient
- works with available balance

#### Debit - cons

- daily spending limit
- may charge overdraft fees

I choose a debit card!

#### Credit - Pros

- good for emergencies
- may earn rewards
- fast and convenient

#### Credit - cons

- charge interest
- may charge annual fee
- charge to withdraw cash



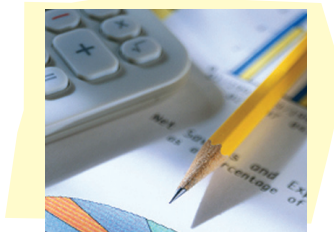
# LIFE LESSONS

Have you ever asked your teenager to conserve electricity by turning off lights when she leaves the room and heard, “why?”

Sometimes teens aren’t aware that households must pay for things that seem automatic to them, like flipping a switch and seeing the light turn on.

You can do something to educate your teenager about the many expenses she will face once she’s responsible for paying the bills. Simply telling the teen in your life about the woes of rent, utility bills and car payments will not illustrate the responsibility as well as having her realize it for herself.

Some high schools conduct exercises where they give students an occupation and its salary along with a list of expenses such as a rent or mortgage payment, childcare fees and utility bills. However, many teachers do not have time for this lesson in an already-packed curriculum.

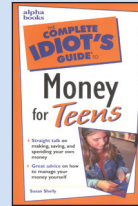


You can do this at home with your teen. An Internet search for “average salary” nets a wealth of Web sites with average salaries for specific occupations — some even vary by region of the country. Use your household bills as a guide for expenses she will encounter as an adult. Remember to factor in all monthly bills, including groceries, cell phones and gym membership. Give your teen some choices, and remind her that the gym membership may come after the electric bill when prioritizing.

By completing this exercise, your teen will have a better idea of what it takes to run a family budget, and you might just learn something when facilitating it, too!

## Check Out These Books!

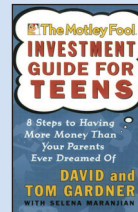
Visit your local library or bookstore ...



**Complete Idiot's Guide to Money for Teens**

By Susan Shelley

Whether they're saving for their first car, trying to make sense of a checking account statement, or trying to establish a good credit history, this guide has solid information and teen-tested tips.

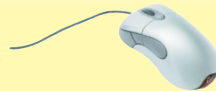


**The Motley Fool Investment Guide for Teens**

By David Gardner and Tom Gardner

Find sound advice on everything from finding a job, stock market investing and avoiding financial pitfalls. “Take It from Me” and “Keep in Mind” sidebars offer brief advice from peers and the authors, respectively.

## Click Your Mouse Here



[www.fdic.gov/consumers/consumer/news/cnsum06](http://www.fdic.gov/consumers/consumer/news/cnsum06)

*FDIC Consumer News*, published by the Federal Deposit Insurance Corp., is a guide to help teens get good grades in money management. You'll find tips and information on how to save and earn money, decide where to keep your money, spend money wisely, borrow money protect against identity theft, be charitable and a list of resources that can help with money matters.

[www.usaweekend.com/99\\_issues/990502/990502teen\\_index.html](http://www.usaweekend.com/99_issues/990502/990502teen_index.html)

This Web site details the findings of the 12<sup>th</sup> annual USA WEEKEND Teens & Money survey. Full of valuable tips and insights from teens, the survey was conducted in partnership with Channel One, an in-classroom news program, and is educational as well as informative.



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