



# Teach teens the basics of a budget

Educating your children on financial matters may be one of the most important lessons they learn. **By Tamekia Reece**

**T**hough children learn a lot in school, money matters probably aren't part of your kid's curriculum.

Only 17 states require high school students to take a course in personal finance according to the Council for Economic Education's 2018 Survey of the States: Economic and Personal Finance Education in Our Nation's Schools. That puts the

pressure on parents to make sure kids know the basics of budgeting. These are the biggest money lessons you should pass along to your child.

## **Make a budget.**

It is important to teach children how to budget because it can potentially help create a strong foundation for their future money habits, said



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### Pay yourself first.

"Paying yourself first is important — it encourages sound money habits," Chiang said. He says consider the 50/30/20 budgeting rule: 50 percent of income going toward needs, 30 percent toward wants and 20 percent toward savings. He recommends showing your teen how to automatically move funds to savings before you have the opportunity to spend it.

### Use credit wisely.

A good credit score has many benefits, including lower interest rates and the ability to buy a home or other big-ticket items, says Robert Church, executive director of the DoughMain Financial Literacy Foundation.

Before your kid starts getting credit card offers, explain what a credit score is, why it matters, how interest charges work, and the importance of paying the bill on time each month. Also, teach teens that it is a good rule of thumb to use 30 percent or less of their available credit, says Ogechi Igbokwe, a certified financial educator and founder of OneSavvyDollar.com. Anything higher has a negative impact on the credit score.

### Money grows with time.

It's important for children to see that money can grow if it's handled properly. An interest-bearing savings account is an easy introduction to turning some money into more money. "In addition, investing is an important part of planning for the future and building wealth, so share your investment strategies or make it a game and have your child pick and monitor the progress of stocks that interest him or her," says Church. Keep it simple initially. As your child gets older, you can tackle more complex investing topics. [S](#)

Benjamin Chiang, an advisor at the Flagship Financial Group. Teens need to see real examples of budgeting to learn how it works. They learn best by observing you. But take the next step. Sit down with your child and go over your family's budget, pointing out how much is earned and then how the money is divided between categories such as bills, savings, necessities like groceries, and discretionary spending.

Then help your child formulate their own budget. Identify a weekly or monthly allowance, and list what your children are spending money on and how much. Cut where needed. And if they blow the budget? Don't bail them out. It's better for kids to make mistakes and learn from them now rather than when there's more at stake as adults.