

FINANCES FOR TEENS

101

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QUICK FACTS

- AROUND 74% OF TEENS AREN'T CONFIDENT IN THEIR FINANCIAL KNOWLEDGE.
- TEENS SPEND MOST OF THEIR MONEY ON FOOD, CLOTHING AND ACCESSORIES OR PERSONAL CARE ITEMS.
- 75% OF TEENS LEARN ABOUT PERSONAL FINANCE FROM THEIR FAMILIES.

NEEDS VS. WANTS

Needs

- A working laptop. This will be a necessary item for online or in-person school and side hustles!
- A basic necessity is food. If you start missing meals, it won't help you save money, even if that's what you're attempting to do.
- Buying medicine is necessary and shouldn't be avoided if you are ill.

Wants

- Acquiring a new laptop with capabilities you're unlikely to utilize.
- Food may also be a want, depending on what you buy and how much you spend. Do you actually require a Starbucks brew each day?
- Cosmetics might not be necessary, especially if you're using identical goods already on hand or don't use them frequently.
- Depending on where you live and how easily you can access public transportation, owning a car may not be necessary.

PRO TIP: AVOID UNNECESSARY SPENDING

- **Recognize your outgoing costs.** Make a note of all the expenses you incur. Next, ask yourself, "What am I unable to survive without?" Those are your needs and should be prioritized.
- **Align with your personal values.** Make a list of every purchase you make. Then, ask yourself: "What am I unable to survive without?" Prioritize those as they are your necessities.
- **Look for alternatives.** Some of your alleged necessities can turn out to be wants. There could be a different approach to doing the same thing. If you want to lose weight, for instance, but don't want to pay for a gym membership, you may start working out at home or running to have the same effect.
- **Compromise.** Spending on things you want can't be fully stopped, but it can be reduced. If you prefer relaxing with friends over a great meal, maybe you do it once a month rather than on the weekends. You'll be able to preserve your money and yet have fun if you do it this way.

DEVELOPING A HEALTHY RELATIONSHIP WITH MONEY

- . **Share financial concerns with your family.**
- . Feeling uneasy about the subject might result from treating money conversations as taboo or an issue that should only be discussed by grownups. Keeping your financial struggles to yourself might be counterproductive and lead to new financial problems.
- . **Become more transparent.**
- . Don't try to cover up any financial blunders you may have made. Own up to it if you spent your whole allowance on something you didn't require. This makes it easier for you to hold yourself accountable and may allow others you share with to provide you financial advice and helpful criticism.
- . **Avoid comparing your finances to those of your friends.**
- . Comparing your spending habits and purchases to those of others might provide erroneous results and an emotional reaction to financial issues.



UNDERSTAND THE TIME VALUE OF MONEY

It's simple to believe that you have a lot of time to start saving while you're young. However, your situation will improve the sooner you start. It's never too early to start saving money for a home, retirement, or your future company, even if you're just starting college.

There are benefits to having extra time if you decide to invest your money. For instance, if you invest \$1,000 today earning 20% interest, it may grow to \$1,200 the next year and continue to gain annually. However, your possibility for accumulation will be reduced if you wait a few more years to invest.



PRACTICAL TIPS FOR EFFECTIVE MONEY MANAGEMENT

- **Track your spending.** Knowing where your money goes can enable you to evaluate your spending patterns and make the necessary corrections.
- **Create a budget.** Find out how much you would want to spend each month. Knowing your essential expenditures will be of great assistance to you. In this manner, you are not depriving yourself.
- **Set up an emergency fund.** Setting up money for unanticipated events and crises is usually a smart idea. It also allows you to save money that you might need in the future.
- **Start a retirement fund.** There is never a bad time to start planning for retirement. Unless you meet the criteria for a long-term part-time job, you might not be qualified for a 401(k) as a teenager yet, but you can look into the idea of having an Individual Retirement Plan (IRA).



FINANCIAL LITERACY PRINCIPLES FOR TEENS CHEAT SHEET

Budgeting— A budget is a **spending plan based on income and expenses**. In other words, it's an estimate of how much money you'll make and spend over a certain period of time, such as a month or year.

Saving— Savings refers to the money that a person has left over after they subtract out their consumer spending from their disposable income over a given time period. Savings, therefore, represents a net surplus of funds for an individual or household after all expenses and obligations have been paid.

Taxation—Taxation is a term for when a taxing authority, usually a government, levies or imposes a financial obligation on its citizens or residents. Paying taxes to governments or officials has been a mainstay of civilization since ancient times.

Investing— Investing, broadly, is putting money to work for a period of time in some sort of project or undertaking in order to generate positive returns (i.e., profits that exceed the amount of the initial investment). It is the act of allocating resources, usually capital (i.e., money), with the expectation of generating an income, profit, or gains.

HOW TO START A BUDGET



- **Understand your income.** As you receive money each month, keep track of it. It can come from your allowance or your part-time employment, depending on your circumstances.
- **List your expenses.** Create the most thorough list you can. Don't overlook the minor details. At the end of the month, you'd be astonished at how much a few coffees here and a few trinkets there add up to.
- **Organize your expenses.** Organizing your costs into categories might make it easier to understand what you're paying for. You can track where the majority of your money goes by categorizing it into categories like food, entertainment, and health. But you must have clear definitions for each of your categories.
- **Keep it up-to-date.** Make sure to update your expenditures every day, whether you're using a diary, a ledger, or an online tool. If you complete it every day, you'll be less likely to forget a cost and it will also provide you an overview of your personal finances over time.