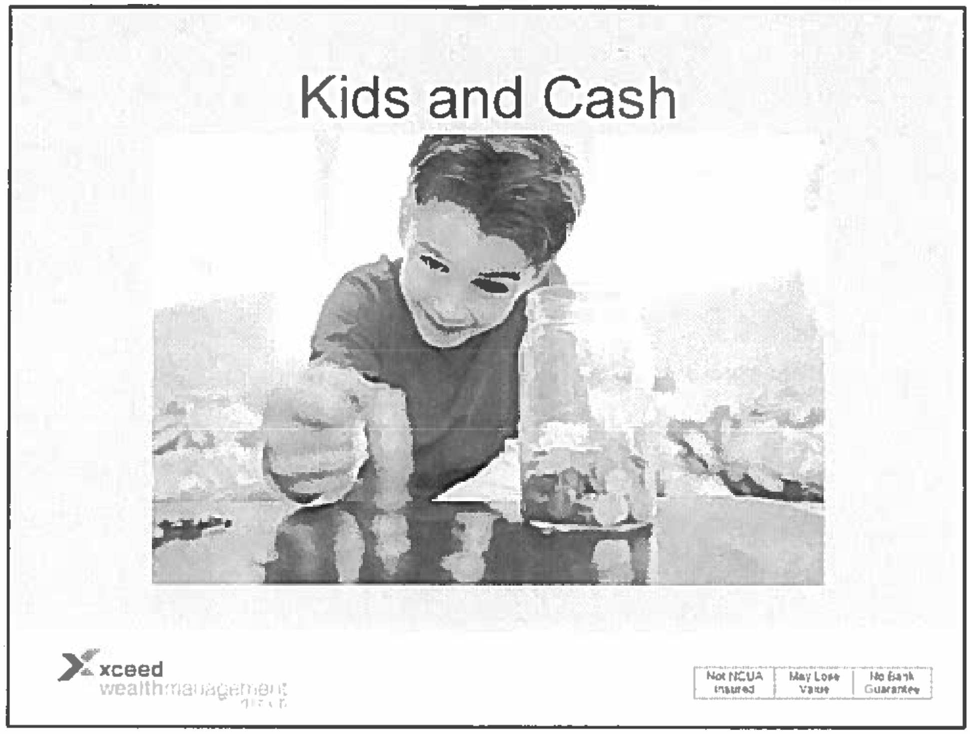
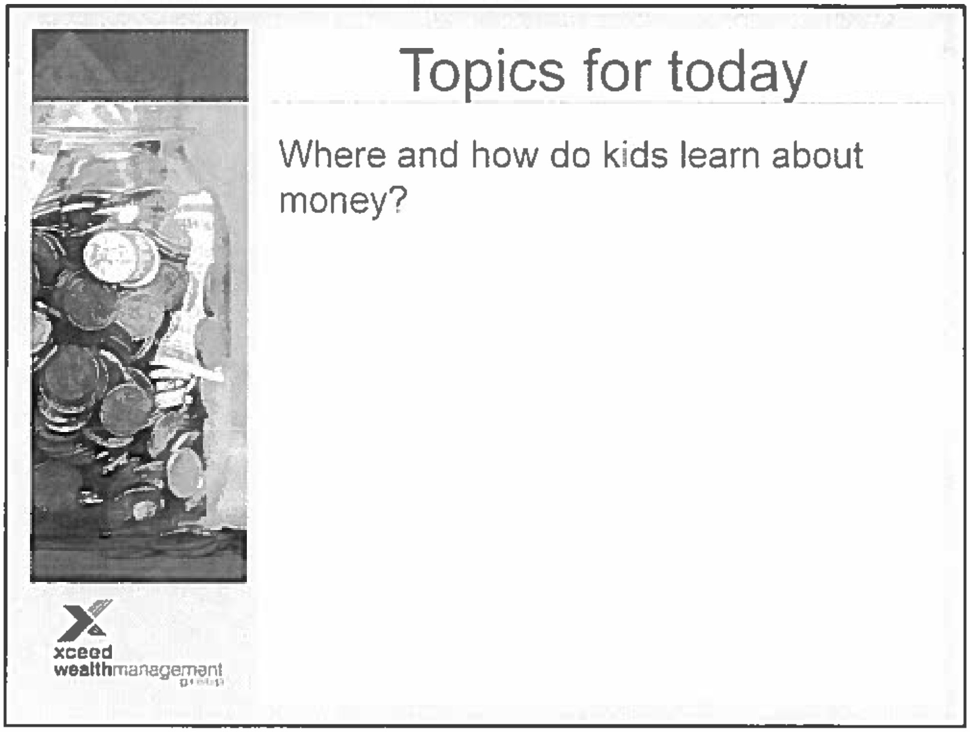


Skills for Surviving and Thriving



What do food and money have in common?

We will all have lifelong relationships with both these things. And because that's the case, it's a good idea to spend the time and energy required to make sure we have the best relationship possible.

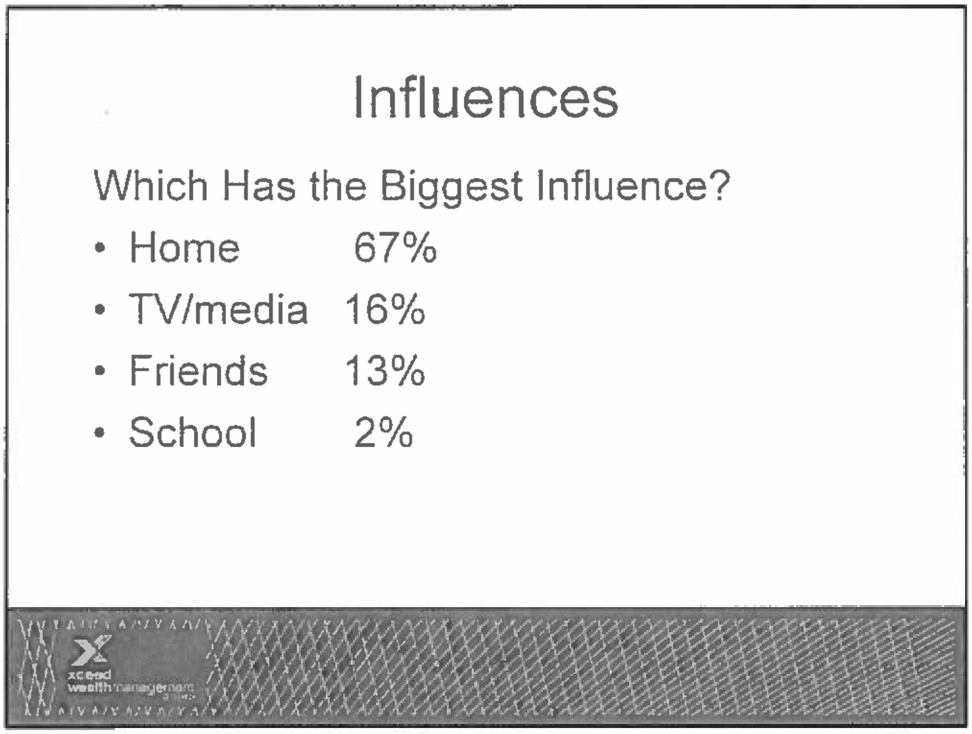
The first question on your worksheet asks 'Where do your kids learn about personal finances?' Take a moment to jot down your response.

As it turns out, young kids get their habits about food and money predominantly from the home. They look at what's around them, they hear discussions they're not part of, they see and feel the attitudes and messages around them. And more time is spent there than anywhere else, especially in their formative years. You don't even have to talk to them about money or food; they know what your attitude is.

Today, personal finance skills are no longer just desirable; they have become a 21st century survival skill. But you don't want your children to merely survive. You want them to thrive, which means they'll need to be prepared to take advantage of the opportunities limited to those with good credit and the ability to budget, save, and invest.

It looks like the teens of today will live and compete in a very different world than their parents. Their generation had been named Generation Z, but now other descriptors are beginning to stick: Recession Generation, Generation Debt and even the Depression Generation.

Your teens will be learning something about money whether you like it or not, just by being in your home. So let's make use of that reality and make a plan for their financial literacy, including the basic skills of personal finance.

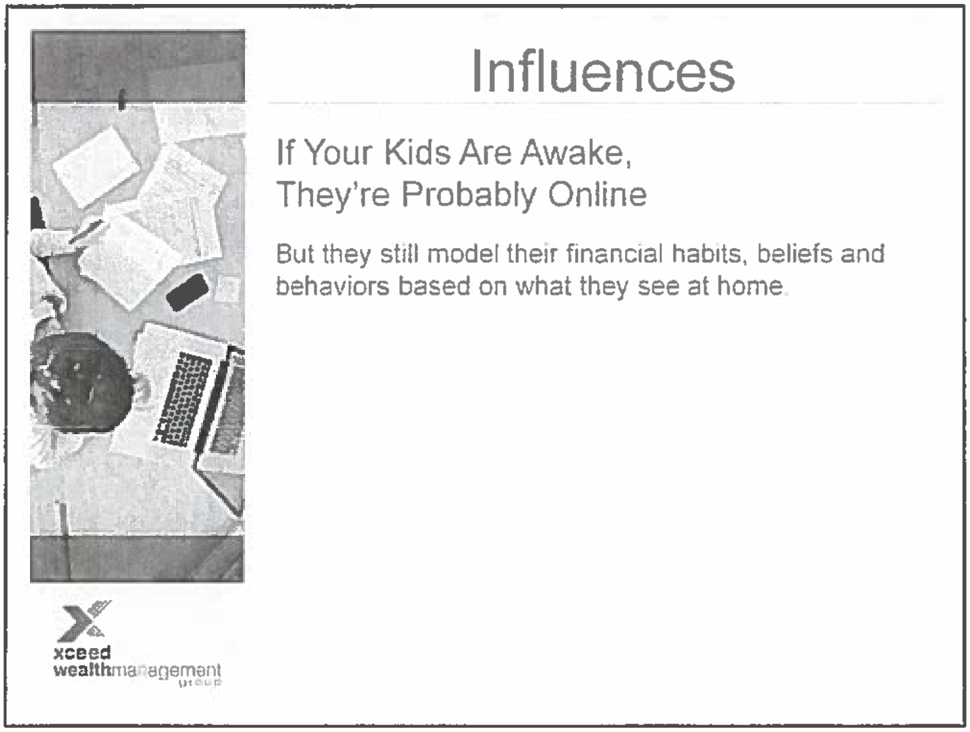


Younger children learn their patterns and core beliefs about money at home. But which of these do you think has the most influence on how *teens* spend and save their money? It is true that all four have some impact. But which one has the greatest impact?

As it turns out, the influence of the home keeps going.
According to themint.org survey of more than 1,100 teens:

- 67% said the biggest influence is the home.
- Next is Television and media, which 16% of teens say is their biggest influence.
- Friends and peers also ranked lower than many would have guessed, with only a 13% influence.
- Perhaps the biggest disappointment to parents is the very low influence coming from school. Personal finance courses are becoming more common, which is a great sign. But from the results of this and other surveys, schools have a long way to go.

You—the parents—are, by far, the number one influencer on they way your children of all ages will save and spend money.



"If Your Kids Are Awake, They're Probably Online" is the title of a *New York Times* article by Tamar Lewin, published in January 2010. The article's research-based message is that the average young American now spends practically every waking minute — except for the time spent in school — using a smart phone, computer, television or other electronic device. They're spending 7.5 hours a day on electronic devices, and because that time includes multi-tasking, they're actually packing up to 11 hours of media

Remember, the themint.com survey showed that the area of greatest influence regarding money is the home.

You can leverage that fact by using your teens' online time to steer them towards websites that promote financial literacy. I've provided you a list of websites that include quick quizzes and other interactive programs that appeal to teens.

Where Teens Get Money

- Parents 32%
- Jobs 27%
- Allowance 22%
- Gifts 18%
- Other 1%

Where do your teens get their money?

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What's amazing to me is that with all the time spent on electronic devices, teens still find time to spend money.

Before we look at how they spend it, let's look at where they get it from.

According to Marketingvox.com, teens accumulate money through jobs, allowances and "as needed" money from parents and gifts. And the amount they get will increase an estimated 3.5 percent annually. In 2006 the aggregate teen income was $79.7 billion, and in 2011 it will be $91.1 billion—an increase of 14.4 percent.

Notice that most of the income comes from parents, and remember that the majority of teens say they learn about money at home.

On your worksheet, take a moment to write down where *your* teens gets their money.

Influences

How Do Your Teens Learn at Home?

- Modeling parents' money habits and behavior
- Absorbing the family money story

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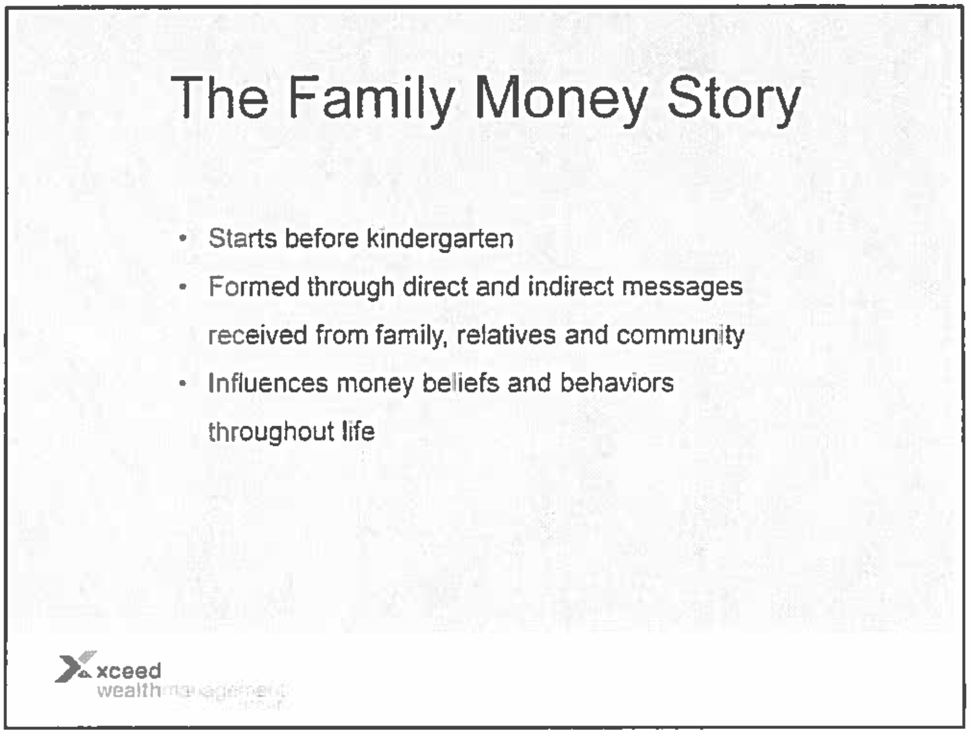


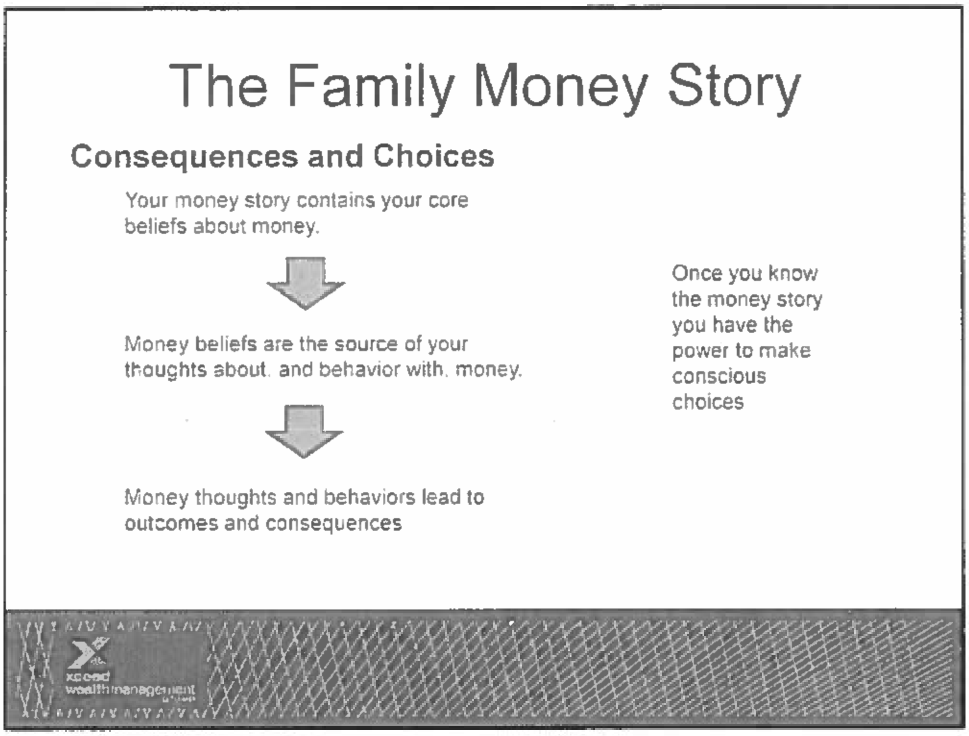
And you are not alone. Without a process to figure out your own and your spouses communication style, what makes you feel comfortable or agitated - it is tough to understand what is going on let alone to fix it.

We all have both hard-wired and learned communication tendencies and preferences. When we are stressed our socialized communication style can disappear leaving the hard-wired tendencies to rule the moment.

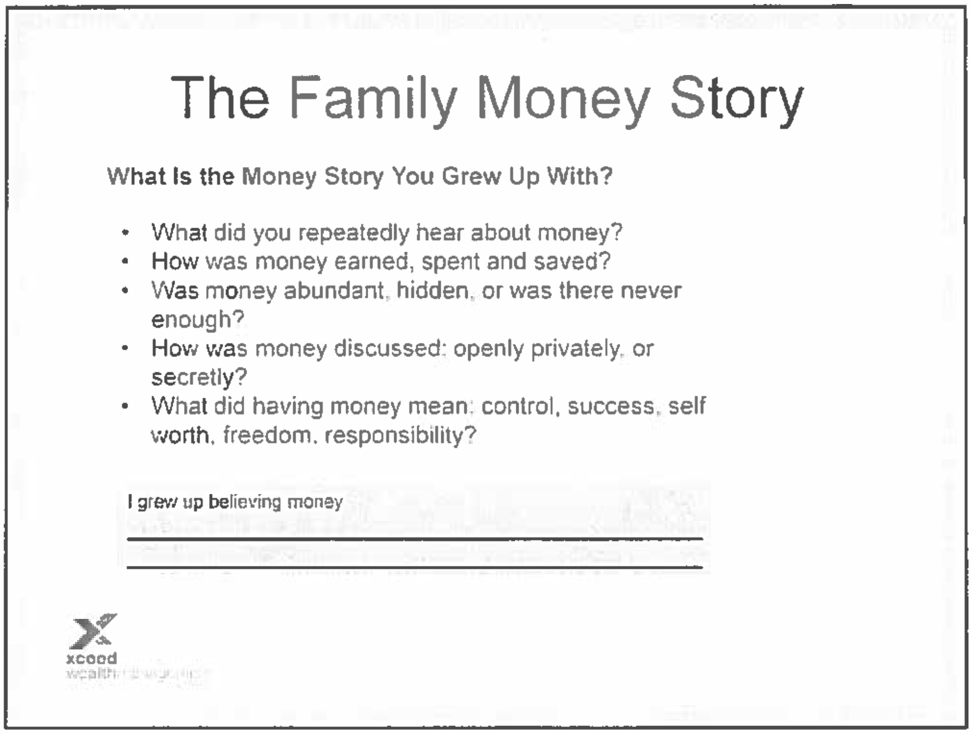
It is generally hard to get a clear understanding of your own as well as your spouse's communication style.

The topic of money, especially between two people tied together by their finances, is especially challenging when your communication styles don't match up well.

The upside is you can do something about it and actually turn it around.



The Family Money Story
Consequences and Choices
Your money story contains your core beliefs about money.
Money beliefs are the source of your thoughts about, and behavior with, money.
Money thoughts and behaviors lead to outcomes and consequences
Once you know the money story you have the power to make conscious choices



Let's take a moment to look at your own Money Story.

I'll read through the questions, and you see what comes to mind and make a note.

What did you repeatedly hear about money?

How was money earned, spent and saved?

Was money abundant, hidden, or was there never enough?

How was money discussed: openly, privately, or secretly?

What did having money mean: control, success, self worth, freedom, responsibility?

Finally, take a moment to finish the sentence: "I grew up believing money . . ."

Your Teen's Money Story

What Is Your Teen's Money Story?

- What do they repeatedly hear about money?
- What is their attitude towards money?
- How do their money habits relate to yours?

My kids would say our family money story is

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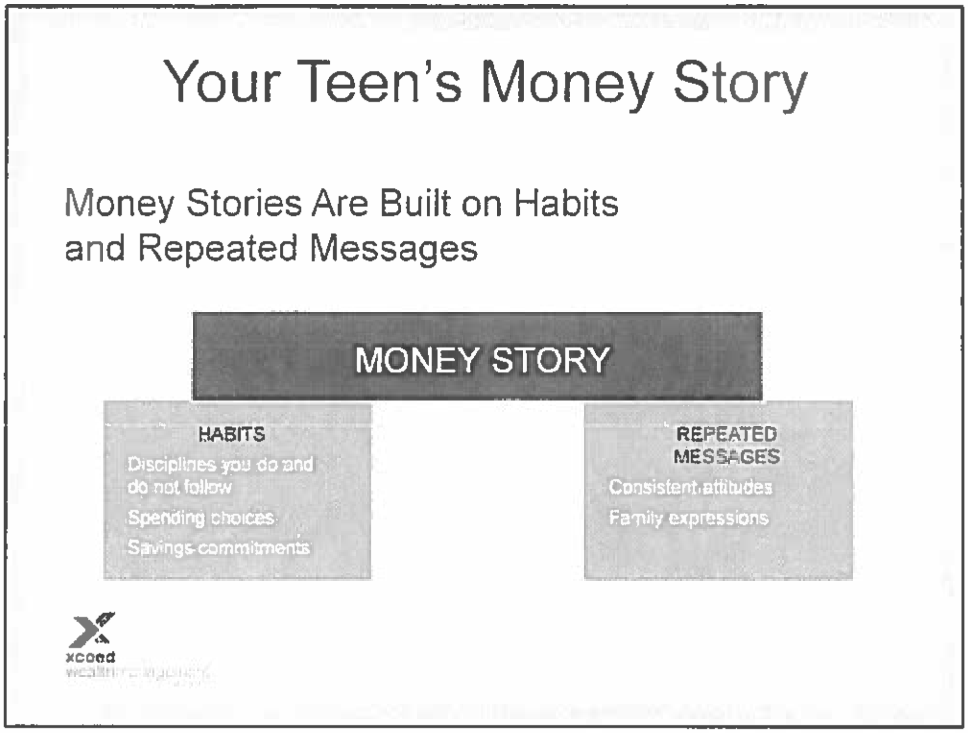
Here is an example of a teen money story:

Jeremy was a very good jazz musician in high school. He went to the school of the arts in a town where the incomes were high and everyone seemed to have the newest and the best.

His parents weren't exactly frugal, but their friends referred to them as a "low-maintenance" family. Rather than driving a Mercedes, they drove Hondas. Jeremy had no particular thoughts about his parents having or not having money, but he was aware of how sensible they were about spending it. They lived well, dressed well and went on several family vacations. Jeremy received an allowance of $100 a month, which was to cover gas, food, movies and entertainment. He also earned money playing jazz piano at parties and events. When Jeremy graduated from high school he had $5,000 in his bank account, all from his earnings. The day after graduation he went to his parents financial planner for investment advice. She wasn't surprised that he had managed money in the same way his parents did. He opened a Roth IRA and invested in his first mutual fund, but he wasn't sure he needed to keep any money in his checking account for spending money at college, as she suggested. He was sure everything he wanted at college would be there and already paid for with his tuition. She teased him that maybe an expensive girlfriend was in his future. He said that was not his kind of girl but finally agreed he should have $1,000 available just in case. He interned overseas last summer and now in *his second year at Stanford. That $1,000 is still in the checking account.*

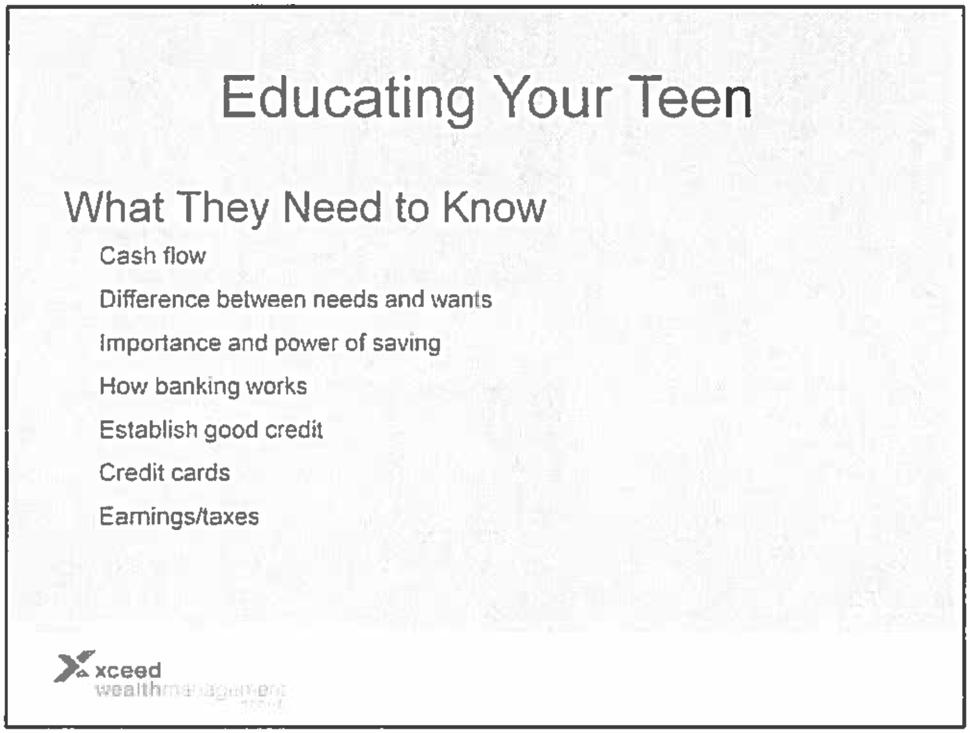
Take a moment to write what you think your teen would say about your family Money Story.



1. Money stories are built upon habits and messages.

The kind of habits we're talking about include the disciplines your teens observe that you either regularly follow or regularly do *not* follow – like paying bills on time, saving for specific goals and having money set aside for emergencies.
Another set of habits they pick up on are your spending habits at the grocery store, when out with the family at events, at the mall and on vacation.
It's good to speak to them about your savings commitments and savings habits. Let them know why and how you make choices to save rather than spend all of your money.

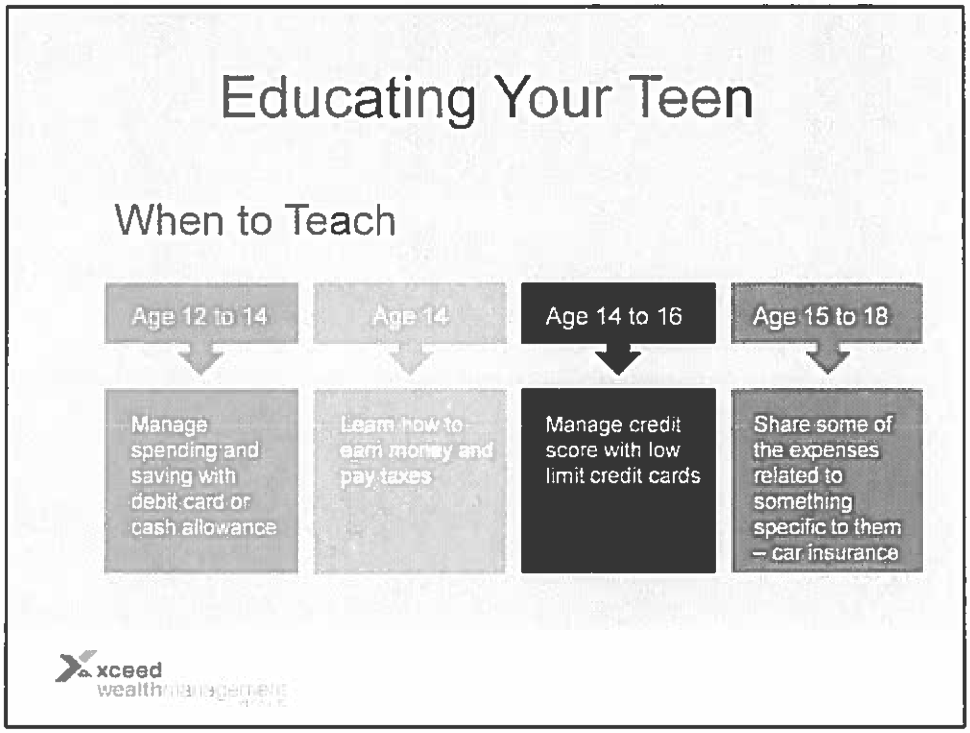
2. You can change your own Money Story and the story of your teens by creating systems that make desired behaviors easy to follow. These will eventually become habits.



As I said previously, some people think that teens don't need to know too much about money or that they don't need to know the details about the family's finances. But I maintain that there are definitely things all young people need to know. *Why?* Because none of us can get very far in life without basic personal finance skills. The five areas of basic personal finance are: cash flow; the difference between needs and wants; the importance and power of saving; how banking works; how to establish good credit; and how the earnings/taxes pair works.

The big question is: How do you teach teens these skills? We know that they absorb all kinds of information without you intending them to, but imagine how much they'd learn if you actually had a plan tailored to their needs!

Teens love to feel confident and in control. Money is one of the issues they struggle with because they usually don't have any themselves, or if they do, they're not sure what to do with it. You can help them get a handle on money in stages.



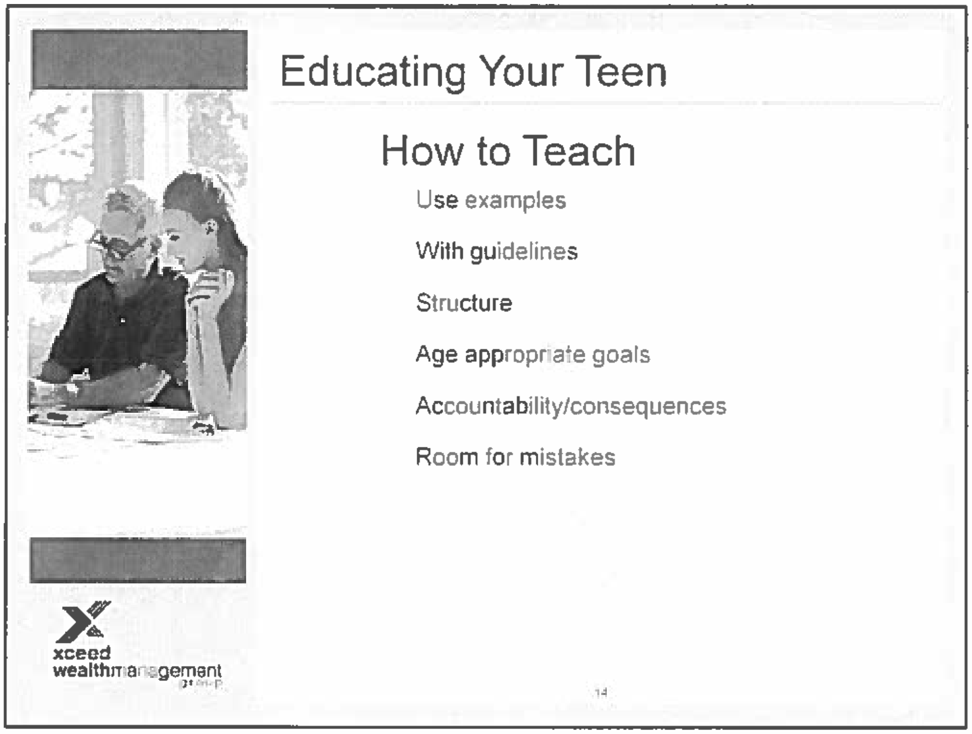
Your kids are aware that money buys the things they want at an early age. You will have plenty of opportunities to set spending guidelines. But by the time they reach 12 years old they are ready for more structure to learn the five areas of basic personal finance.

From ages 12 to 14, kids should know how to manage spending and saving decisions using a debit card or cash allowance. This is the age to open their first bank accounts—both a savings account and a checking account that are tied to their debit card.

By age 14, kids should know how to earn money and manage their earnings. This is when they begin to learn about taxes.

From ages 14 to 16, teens should start to learn about managing their credit score with low limit credit cards. They should know how to balance their checking/debit card account and track their savings.

Finally, ages 15 to 18 are when your teens should start to share some of the expenses you usually pay for them, such as car insurance.



Now that we know *what* to teach, the question becomes *how to teach it.*

Think of this list as your checklist for teaching money skills.

The most powerful way to teach is by example. Ask yourself: Am I modeling what I want my teens to learn and to become?

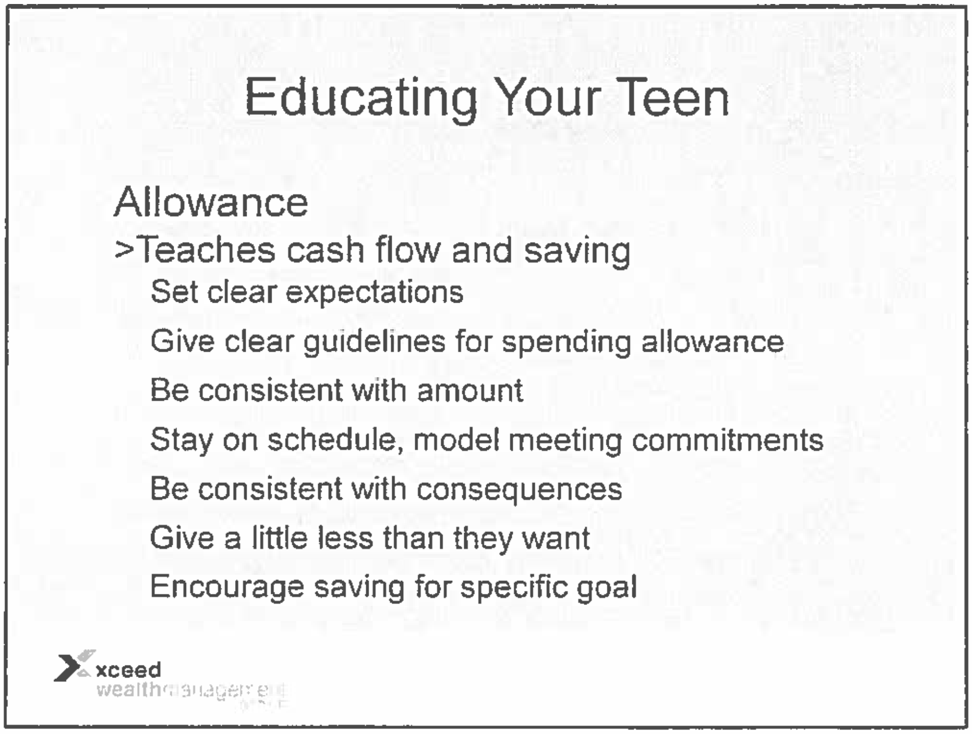
Next, clear guidelines make it easier for both you and your teens to follow a process designed to build good money habits.

There are many how-to lists for parents of teens. The resource list I've given you has some of the best online resources we've found, but it's not exhaustive and I welcome you and your teens to search around together.

Good educational tools have a sound, logical structure to the content and have age-appropriate goals. They also have accountability and consequences built into them, but remember that consequences are only as good as the person enforcing them.

Finally, good educational tools leave room for mistakes. After all, mistakes is where most of the learning takes place!

Let's use allowances as an example of how to use the checklist.



There's strong agreement among experts and parents that allowance is a very useful tool to teach kids about saving and spending money. Here are seven tips for a positive allowance experience, using the checklist model.

Teach by example: Model meeting commitments by being consistent with the amount and staying on schedule. If you say you'll review their spending with them, make sure to have a regularly scheduled short meeting.

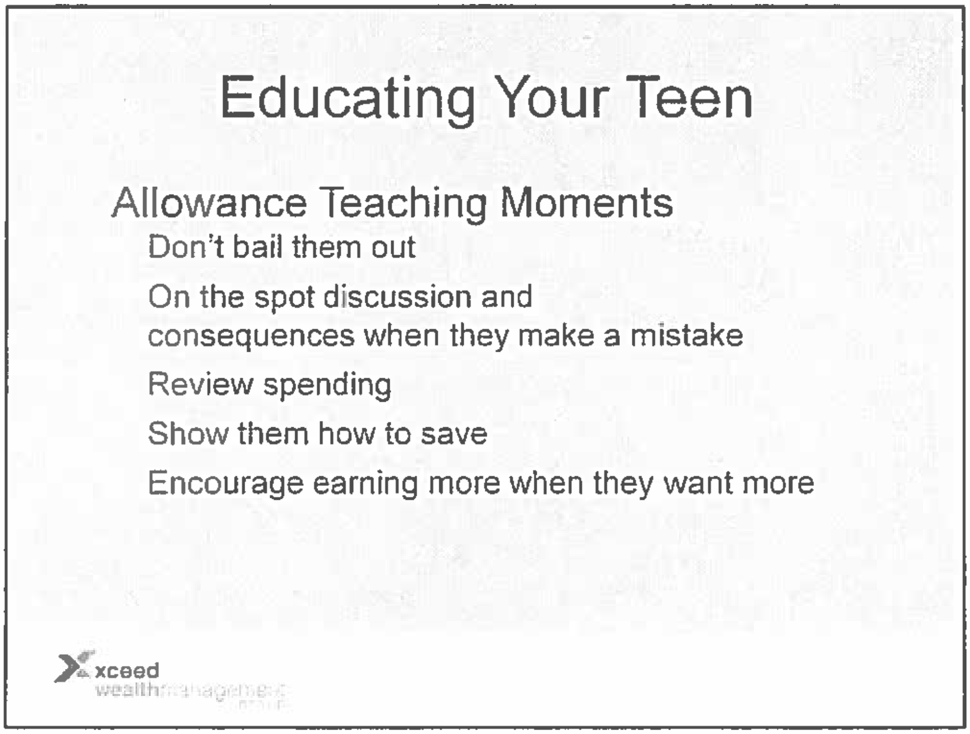
Guidelines: Give clear guidelines for spending allowance, make agreements about what they're now responsible for on their own, such as snacks, movies, gas and iTunes. Give a little less than they want, thereby encouraging them to make choices between wants and needs. Help them set saving goals using some of their allowance for a future goal.

Age Appropriate: A 12-year old may have fewer needs and opportunities to make large spending decisions than a 16-year old with their driver's license.

Structure: Deposit the scheduled amount of money into their debit card account. Have the bank text you and them each time the card is used. Take a look at the spending as it happens, giving feedback when necessary. Review their spending with them once a month when the statement comes. Good habits need reinforcement.

Accountability: Discuss what you expect them to learn from having and spending their own money. Be immediate and consistent with consequences.

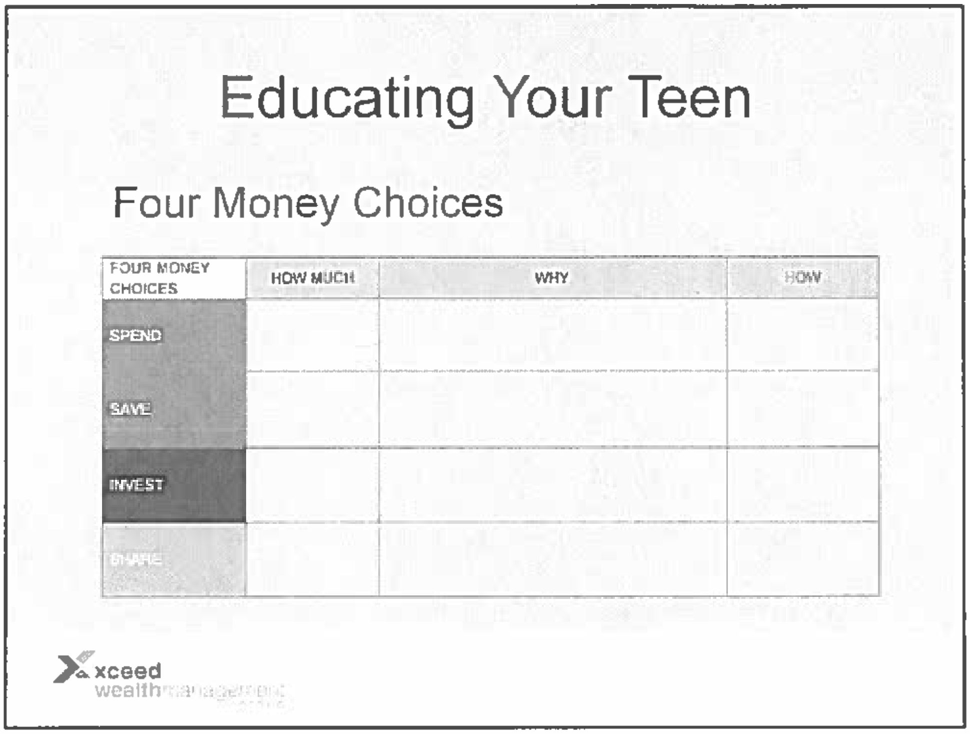
Allow room for mistakes: It's better for teens to learn from their mistakes while they're under your roof. This helps them feel the consequences while also learning that they can recover and move forward.



I use the example of allowance because it's so rich with teaching moments.

If your teen's allowance is deposited into their checking account, encourage them to regularly transfer a percentage of the money into their saving account. Seeing money accumulate because of choices they have made is a big confidence booster for teens.

If your teen wants more money, give them opportunities to earn more when they want more. But keep the allowance the same.



We know what to teach, how to teach it and some of what *not* to do. But there's an important area that we haven't mentioned, and that's the larger issue of the four possible choices we have with money. Although with teens, we're usually talking about spending and saving, those aren't the only two options. We can all save money, share it, spend it or invest it.

It may sound simple, and in fact it can be simple *if you have a system for where money goes each time money comes in*. For teens, the system should be easy to follow, and automated if possible. Without a system, money may be spent too quickly on things that don't really matter. Or, they may save so much that they miss some enjoyable experiences that are well worth the expense.

Talk with your teen about each of the categories and explore ways to make it easy for them to set up their system.

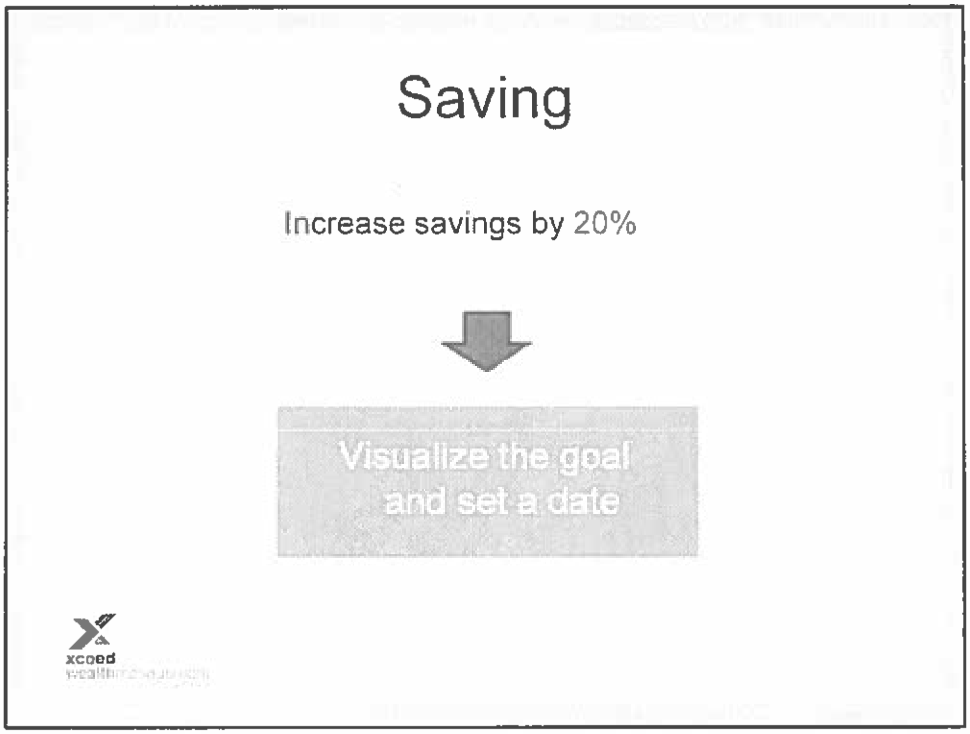
This chart is on one of your worksheets with tips on talking about each of the categories and includes the following conversation prompts:

For SPEND, the questions are: What do you spend your money on? What things are most important to you? On what do your parents expect you to spend your own money? What do you do when you don't have enough money to buy what you want?

For SAVE, the questions are: Why do you want to save money? What are your savings for? How will it make you feel to be successful at saving? How will you make sure you save some of your money every time you get your allowance, earn money or get some as a gift?

for INVEST, the prompt is: Investing usually means you are willing to take the risk of losing money in exchange for the potential of earring more return on your invested money than you will get in your savings account. Consider that carefully when choosing an amount to invest.

And finally, for SHARE, the questions are: Why do you want to share money? Who do you want to give it to, and how and how often will you do this?



Let's start by examining money choices with Saving. Learning you can achieve a saving goal is a powerful experience that leads to confidence and self esteem.

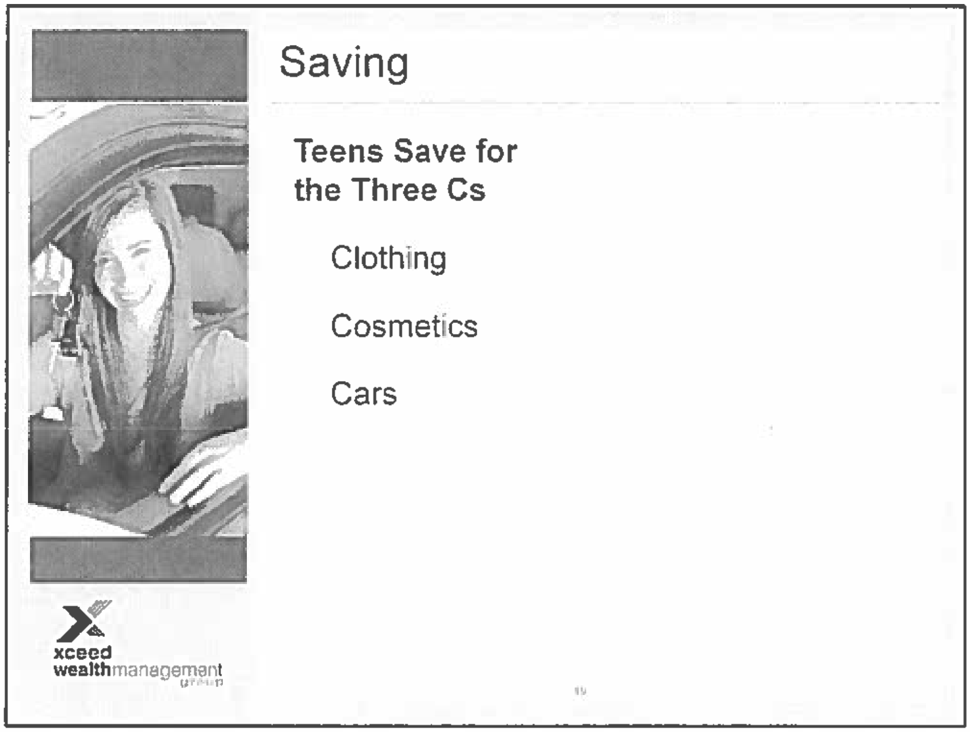
For the goal of their choice, the plan will be to increase their saving by 20%. How are you going to get them to do that, you ask?

For example, let's say your teen would like to buy a car. First, have them explain to you all the reasons they would like to buy a car. This will help your child visualize why they are saving.

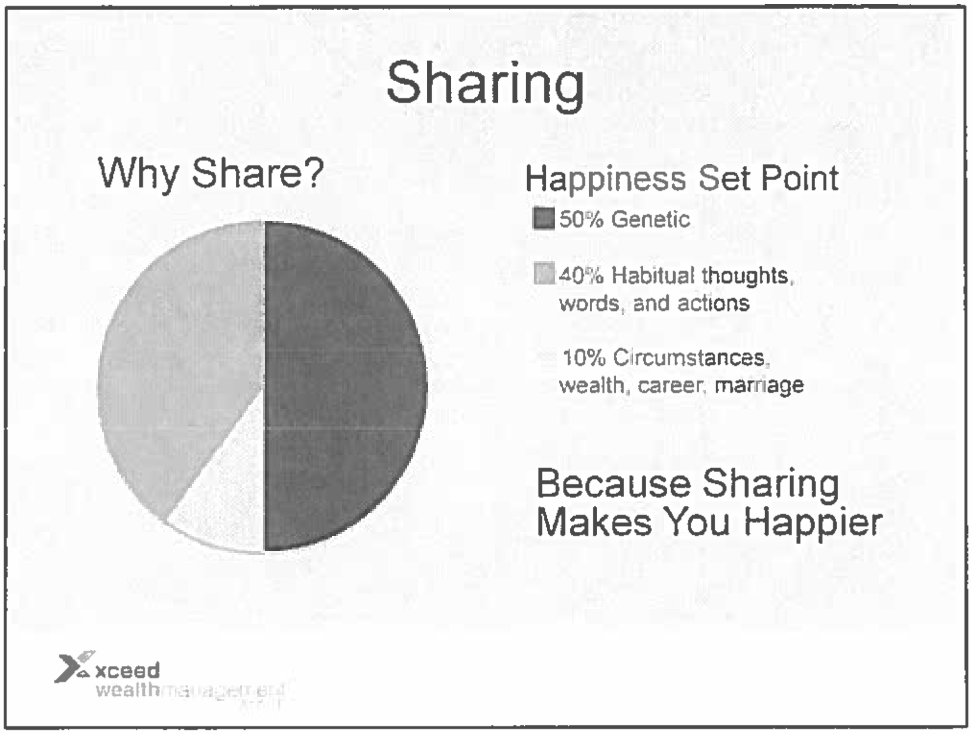
Next, set a date for when they want the car. Teens—and adults, for that matter—are more likely to fulfill their saving commitment if they have a specific date they're shooting when completion will occur. Saving for someday in the future isn't nearly as motivating as saving a specific amount for a specific period of time.

The next step is to help them figure out how they can save money towards the goal. There are two ways to increase saving: spend less and earn more. Spending $10 a week less doesn't sound that impressive until you think of it as $520 a year, not including interest earned. In four years, that measly $10 could turn into almost $2,800.

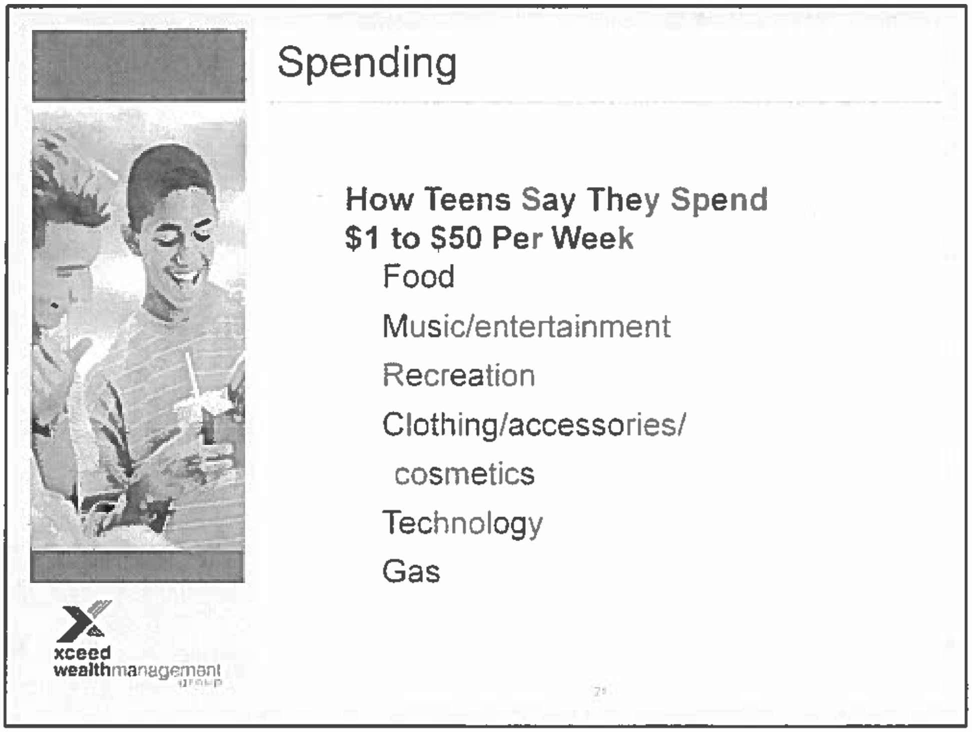
Meanwhile, a summer job can add another $500 to their savings in just a couple of months.



Though cars are the obvious large expense, according the *Seventeen* magazine, a 2009 Teen Spending Survey said teens are saving money for two other Cs as well: cosmetics and clothes.

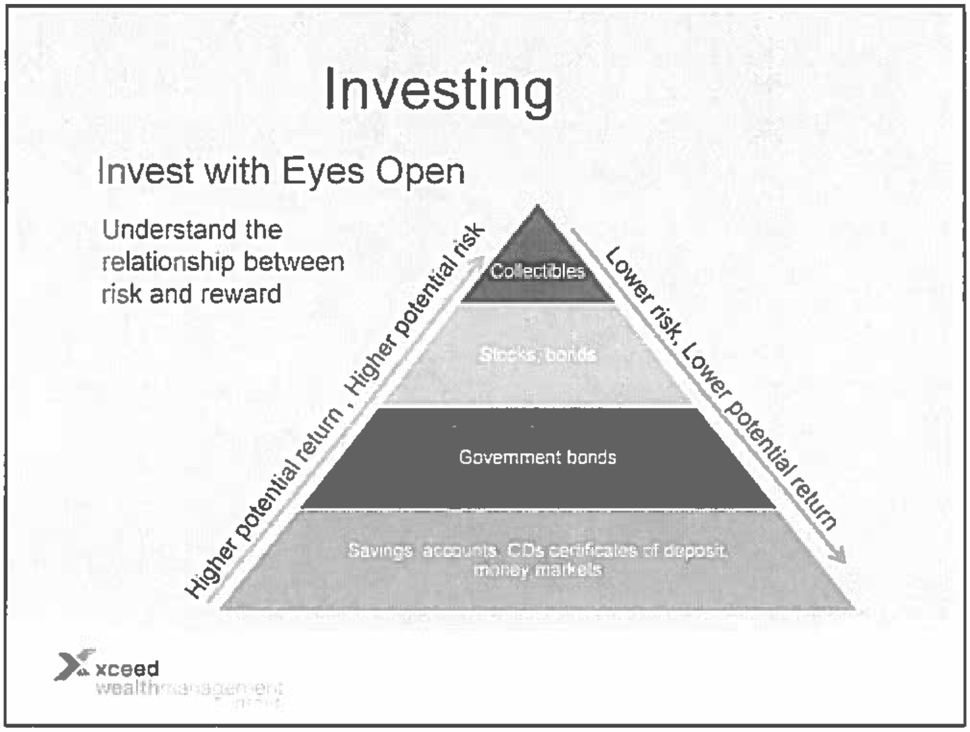


Next on our list of money choices is sharing. Sharing has a tremendous influence on overall happiness.



We know what teens save for, but day-to-day, how are they spending their money?
According to a recent study of teens in Los Alamos, New Mexico:
72% of teens spent $1-$50 per week on food
47% spent $1-$50 per week on music/entertainment
37% spent $1-$50 per week on recreation
36% spent $1-$50 per week on clothing/accessories/cosmetics
32% spent $1-$50 per week on technology, and
23% spent $1-$50/week on gas
http://www.laymca.org/development/Teen_Spending_Report.pdf

Many teens would say one thing they know for sure is how to spend money, you get it you spend it, its easy.
Spending wisely means you have money to buy the things that really matter.
I recommend encouraging your teens to go online to take the Teen Spending Challenge.
They can also find out what kind of spender they are and how to write a check. For more, go to the tips for teens page on themint.org
http://www.themint.org/teens/spending.html

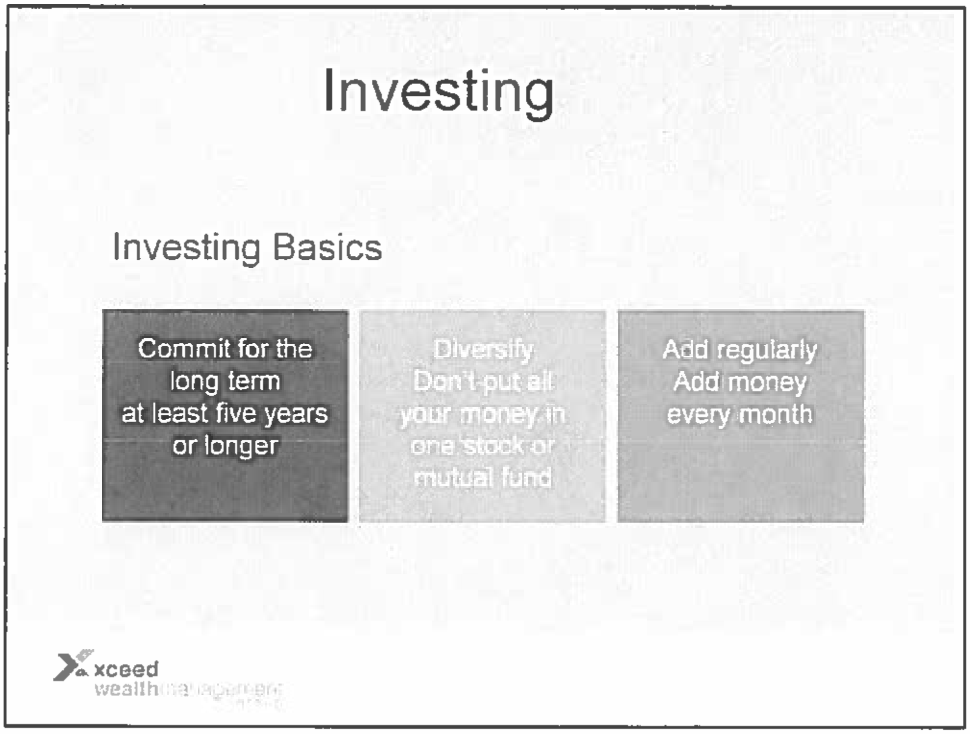


Finally, we get to investing: the fourth money choice.

Before your teens invest their money, they need to understand the relationship between risk and reward. Without this fundamental understanding, they may have a strong reaction the first time they lose some money. The first time you lose money can stay with you for a lifetime and limit the potential to build meaningful wealth for yourself and your future family. As a parent, you want to create an environment where if there is a loss, it doesn't create permanent damage but is instead processed in a healthy way. A loss doesn't have to mean disaster; it can simply be a lesson learned.

Begin your conversation about investing, even if your teens think they know it all, by explaining the investing pyramid. The pyramid shows the risks and rewards of different types of investments. Investments with lower risks and lower returns are at the bottom of the pyramid, where the large base makes it stable. As you move up the pyramid, returns usually become greater, but so do the risks. As an investor, you should move up the pyramid *only after you have built a strong foundation, and only if you're comfortable with the idea of risking your money.* While higher rates of return at the top are tempting, keep this in mind: there is no guarantee that higher-risk investments will actually give you higher returns.

The priority for teens is to make sure they can meet their saving, sharing and spending goals. When that's accomplished, *then* help them decide how much of the money that's left over can be invested for at least five years. Also, make sure they know that money allocated to investments is *not* for emergencies or short-term goals —that's what their bank accounts are for!



After the fundamental concepts of risk and reward are covered and understood, it's time to show your teens how they can let their money work for them while also helping them be smart about investing.

Your first order of business is to emphasize that when it comes to investing, they need to commit for the long term, meaning at least five years or longer. Use a compound calculator like the one on themint.org - the exact web address is on your resource sheet. Run scenarios with your teens.

Credit

Credit and Debt

- Credit cards are in their hands now or in their future
- 20% of high school seniors
- 92% of college sophomores have a credit card
- 47% of college students carry four different cards

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The last financial basic we'll address today is credit cards. By the time they turn 18, about one in five high school students already has a credit card. And they're not shy about using it. Credit card debt among young people roughly doubled during the 1990s. And so did the number of 18- to 24-year-olds filing bankruptcy.

Source: Credit Abuse Resistance Education (CARE) Program

According to Nellie Mae, undergraduates carry an average credit card balance of $2,327. And many are paying rates as high as 20%.

47% of college students carry four or more cards.

And not to be negative, but it's good to remember that as long as they are 18, young people can get a credit card without a co-signer.

Given that reality, you might want to remind them that it is a CREDIT card not a CASH card.

Credit

Common Costly Mistakes

- Using your credit card in an ATM machine
- Paying only the minimum
- Late payments
- Over the limit use

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Teens who have success with credit cards in high school do better at managing debt in college. What are some of the costly mistakes that get in the way of the successful management of debt?

Most important, and most common, is using a credit card in an ATM machine. That will cost them far more interest because it'll be categorized as a 'cash advance' rather than a normal charge. Next, and I'm sure you've heard this, paying only the minimum means ordinary expenses end up costing an extraordinary amount with interest tacked on over time.

Of course, late payments are costly. Even if you're late paying off a $15 balance, the late fee may be $35. And finally, going over the limit also creates more fees. Both late payments and over-the-limit use are negatives that stay on your credit score for years.

Let's turn this around and look at Best Practices. They include: Using low limit cards to keep a limit on the potential damages to you as the co-signer if they are under 18, and to them and their credit score.

Require teens to pay their balance every month to help them connect with the concept that they're spending real money that comes out of their checking account.

And monitor their card activity and checking account balance every month.

Credit

FICO Credit Score

- Only 1% has perfect credit score of 850
- Typical score is 720
- Score of 760 usually qualifies for preferred rates
- Score under 620 means obtaining loans and credit cards with reasonable terms difficult

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wealth

No discussion of credit is complete without addressing the FICO credit score.

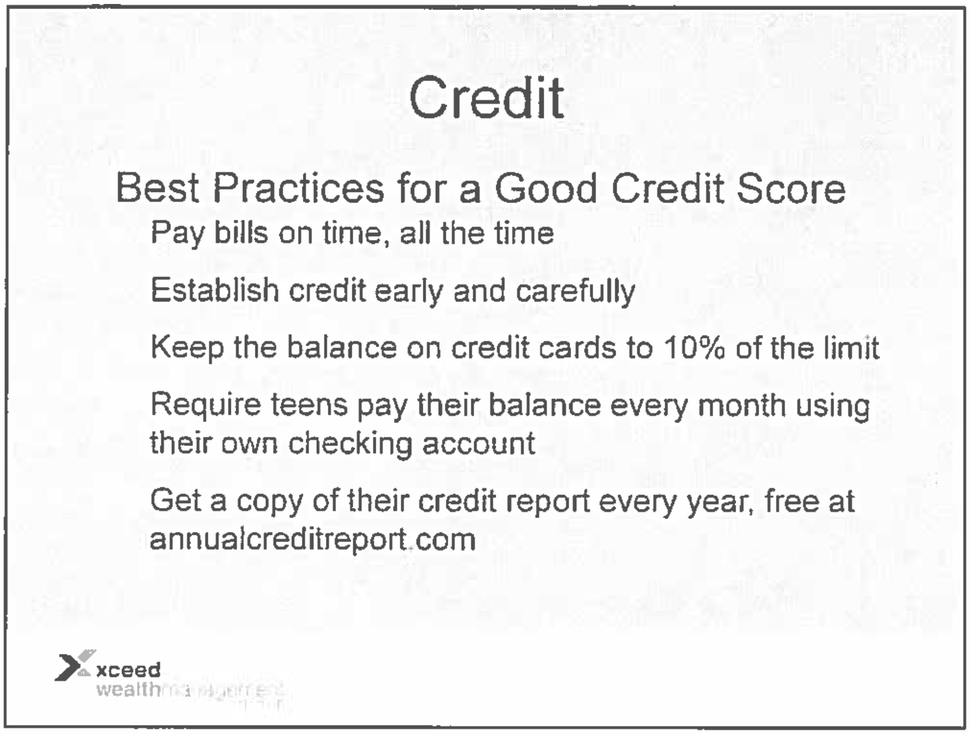
You only need to look around at recent economic news with your teen to confirm that the credit problems that result from poor money management can linger for a long time. Every financial decision they make can and will affect their credit score.

Young people have easier access to credit than the generations before them, as evidenced by the number of young people with four or more credit cards.

It's easy to understand that just like SAT scores are indicators of success in college, credit scores are used to predict success of potential borrowers and sometimes employees. Let your teens know that though they should be striving for a "perfect score" of 850, it takes 10 years of great credit history to qualify. This reality makes it even more important to starting giving them an advantage while they're teenagers.

The average score is 720, which good enough to get preferred rates when borrowing. Teach your teens that it's important to have a good credit score if they're ever going to borrow money with favorable terms. And it's not just the cost of borrowing that's affected by credit. The cost of their car insurance, and maybe even the jobs they get, could be affected by their credit score. Many potential employers now review credit scores prior to offering employment for a new job.

Unfortunately, tens of millions of people in the United States have credit blemishes severe enough (and FICO credit scores under 620) to make obtaining loans and credit cards with reasonable terms difficult.



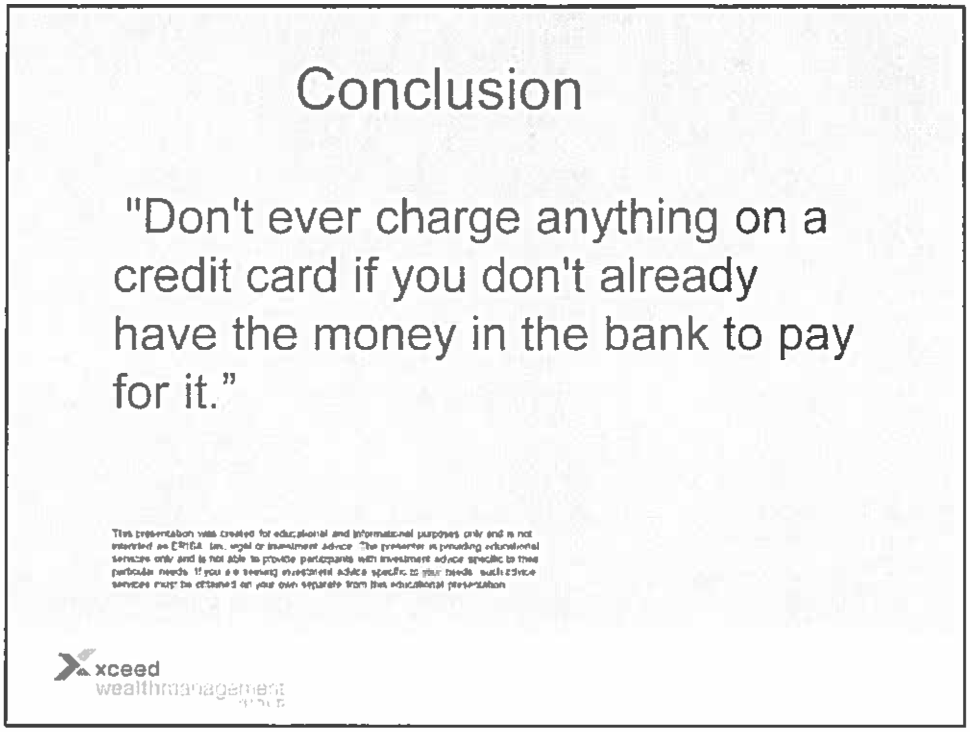
So what do teens need to do to build and maintain a great credit score?

Above all, they need to pay ALL of their bills, on time, ALL of the time. No bill is unimportant. No creditor is unimportant.

Next, they should establish credit early with your help, and they should do it carefully and under your guidance. Remind them to keep the balance on their credit cards to 10% of the limit. Not 50%, not 25%, but 10%.

Furthermore, they should pay their balance each month using their own checking account. In other words, whatever they've purchased or used the card for, *they already have the money in the bank to pay for it.*

And lastly, they should get a copy of their credit report every year, for free, at annualcreditreport.com



We'll end with Actor Ashton Kutcher, who offered a few words of financial wisdom while accepting his surfboard trophy at the Teen Choice Awards.
"Here's the best piece of advice I got when I was a teenager," he said. "Don't ever charge anything on a credit card if you don't already have the money in the bank to pay for it."

Q&A

Questions and Answers

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