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5 Ways to Teach Financial Responsibility

Teaching your teen financial responsibility is the most important lesson you can instill while they are still living at home. Tips include ways to teach your teen about taxes, staying on a budget, saving and avoiding credit card debt.

Teens know a lot about money. One would think so, anyway, as they spent \$189.7 billion in 2006 and are expected to spend as much as \$208 billion per year by 2011, according to market research firm Packaged Facts. That's a lot of dough.

In reality, though, having spending money isn't the same as understanding money, according to Robert Duvall, Ph.D., president and CEO of the National Council on Economic Education, a New York-based organization that helps parents and teachers educate students about personal finance. He says schools often assume parents will teach it, and vice versa, with the result being a generation of young people who know about squandering money and little about saving it.

"We don't wait until a young person gets his or her first job to teach them how to read," Duvall says. "Why would we wait until they get their first job to decide they ought to know something about managing their resources?"

Give your children the tools they need today to manage their money tomorrow. Here are five ways to set them on the right path to financial responsibility.

1. Go to the Bank

Smart parents show their kids that money's versatile, according to Lynnette Khalfani Cox, author of *Zero Debt for College Grads*. "One of the best things we can do is teach our kids about the choices they have with money," she says.

There are four basic choices—saving, spending, investing and donating—and parents can teach them all with a trip to the bank. Some children learn best by doing, and opening their own savings and checking accounts gives them a hands-on lesson in personal finance.

2. Teach Goal Setting

Teens like stuff. A powerful motivator for learning money management, therefore, is making them save for and buy their own things.

"Make a list of six things you'd really like to have and then put a price by them," Duvall suggests. Add up the cost of things you want, then half that amount, as if that is the amount of money you have. How will you afford the rest? This teaches the importance of prioritizing, saving and budgeting.

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3. Make Financial Decisions as a Family


Are you buying a new house or car? Consider involving your children in the decision-making process for major purchases. "It makes them feel important, and makes parents teachers of important concepts," Duvall says. More than that, though, including your children in financial conversations introduces them to important terminology, concepts and ideas.

4. Say, "Get a Job"

The best way to learn about money, according to Khalfani Cox, has always been to earn it. "Nothing is free," she says.

When your kids are too young to work, offer to pay them in exchange for their help around the house. Once they're old enough, however, it's worth making your kids get summer and after-school jobs. Working for their own spending money, and having to make that money last between paychecks, teaches them firsthand about taxes, wages and budgeting.

5. Teach the Dos and Don'ts of Credit

If parents teach their kids just one lesson, Khalfani Cox insists, it should be about credit cards. "No parent would let their kid go across the street without first teaching them to look both ways," she says. By the same token, she adds, parents must warn their teens about credit card debt. Keep them from abusing plastic by teaching them the real cost of borrowed money and encouraging them to build good credit, not bad, in order to get a car, an apartment and even a job. 

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