

How To Teach Your Teen Good Financial Habits

Teens are not known for considering consequences. They live in the present and are swayed by whatever new influences come their way. Social media and influencer culture can have them feeling like they're trying to live a fantasy life and have them ready to spend anything to get it. How can you protect your teen and help them make smart financial choices? The best way is to teach them good financial habits, but what are good financial habits, and how do you teach them?

What ARE good financial habits?

Like it or not, the best way teens learn is by imitation. If they're used to seeing you make good financial choices, they'll likely pick up those habits themselves. Here are six good financial habits you can adopt yourself and help your teen implement for themselves:

1. Pay to savings first

Treat saving like paying a monthly bill. Schedule a payment to your savings account that comes off automatically. This way, you're using systems to create a habit *for* you.

2. Keep a note

Track your spending! Whether you use a notebook, an app, or collect receipts, make sure you know where your money is going every month. Try using a free app like *Mint*, which categorizes your spending, can connect to your bank and credit cards, and can help track income, expenses, and savings goals. Alternatively, you can try an app that's designed for beginners, like *GoodBudget*, which will help you divide your income into different categories so that you can plan your spending. It will also let you know how much money you have left in each category before your next paycheck. This is a great way for your teen to keep things digital and put their finances where their attention is, their mobile phone!

3. Make saving the goal, not spending

When you focus only on spending money, you're likely going to overlook the value of having a safety net. Life is unpredictable, so make your goal to *keep* your money by default, and develop a habit of congratulating yourself (and your teen!) when you save money.

4. Divide and conquer

Keeping all your money in the same place is not going to help you save. If your teen can access it, they're going to want to spend it! Open an account for spending and an account for saving. You can find a **list of debit cards for teens** that allow spending on one account, while keeping savings separate.

5. Save little, save often

You don't need to put away *all* your money, but try to put something away as often as possible, no matter how little. The more you and your teen get into the habit of putting money away, the more you'll have when you really need it.

6. Live within your means (The 50/30/20 rule)

Allocating percentages of your money is a great way to make sure that no matter what you earn, you're always maintaining good financial health. This system lets you spend money on things you want, without letting your spending get out of hand. The 50/30/20 rule is simply allocating:

- 50% of your money to "Needs" like mortgage, car, utility, or insurance payments,
- 30% of your money to "Wants" like dinner, movies, vacations, or anything that isn't necessary, but that costs money to make your life more enjoyable,
- and 20% of your money to "Savings", which can include debt repayment, IRA contributions, or simply deposits into a savings account.

You won't learn good financial habits if you don't make any room for enjoying the fruits of your labor. That's why it's a good idea to allocate *a percentage, not an amount* of your money, to the things you want. The trick is: allocate before-hand and *stick to it!*

How to Get Your Teen on Board

It may not seem like it, but teens crave boundaries. When they are growing up, they are experiencing all of life for the first time, and it can be overwhelming. It's normal for teens to test

their boundaries by acting out to see where the lines are, whether they're doing this consciously or unconsciously. The most important thing you can do for your teen is be consistent. Consistency creates a boundary, not a rule that can be bent or broken. Boundaries are what help teens self-regulate their behavior. Implementing good financial habits with your teen can be approached by setting down some options for them to choose from, instead of demanding that they be more responsible or trying to control their behavior.

Prepare Some Options

If your teen sees that you're putting effort into helping them, they'll likely take your suggestions more readily. Often, teens will reject doing something because they have no idea where to start and don't want to be embarrassed by admitting it or trying and failing. Here are some lists of options you can prepare for your teen:

- A list of part-time jobs that are available for teens
- A list of budgeting or spend tracking apps
- A list of saving accounts (like starter investment accounts, mutual funds, or interest-earning accounts)
- A of banking options that don't charge bank fees
- A list of potential financial goals (and a plan to help them get there!)

Working with your teen can help set them up with good financial habits that they can carry into their future as adults, and one day they may even thank you for it.