

Diana Clement Real money

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Teenage money habits can last them a lifetime

Parents must set a good example by being on top of their finances

Teens and their money are soon parted. Even worse is when teens get the ability – through credit – to be parted with money they haven't earned yet.

What they do now with their money could have a long-term bearing on their financial future – for decades, or even life. Yet many sail through their teens without picking up even a basic understanding of money management and concepts such as interest.

Teens have a lot of financial hurdles to negotiate. That includes managing their own mobile phone bills (which they should or parents are doing them no favours at all), weighing up needs and wants such as tunes for their iPod and games for their other devices, and handling the Eftpos card and later a credit card.

I've got a "tween" – not a teen yet. But the conversations are already starting to happen. Her little brother recognised a GE Money advert on TV this week, which led to a family conversation about the cons of easy credit.

As I mentioned last week in my article about younger children and money, many bypass Finance 101 because their parents simply don't discuss money with them.

Teens need to learn about everything from contracts and what it means to sign one, to how to see through marketing ploys such as loss leaders, "free" mobile phone handsets, complicated offers, and special conditions.

One of the big hurdles is managing the Eftpos card, which gives them instant access to their money without sage advice from Mum or Dad. Years of micro savings can be wiped out in a

matter of days or weeks when they get their hands on a little plastic card.

Andrew Lendnal, author of *Gold Start*, which I mentioned last week, recommends that parents be very clear about what their offspring can or can't use their Eftpos card for, track their children's transactions, and go over monthly statements with them.

Banks have different rules about Eftpos cards. At the ASB, for example, children need to be 15 years old to get an Eftpos card without parental consent, although that drops to 13 next month.

To get a credit card they need to be 18. For a Visa debit card it's 18, or 15 with parental consent.

Credit cards for teens are scary from the parental point of view. They do, however, help teach financial responsibility if used correctly, says Lendnal.

Then there are plenty of other concepts that young people should understand before passing go and becoming financially independent or getting a credit card. They include:

- The art of budgeting and setting financial goals.
- Understanding how they are pressured to spend, the choices they can make and the effect of delayed gratification on their finances.
- How to make their money go further by shopping around, ditching the wants, buying on Trade Me and waiting for the sales, etc.
- That paying for the brand name eats money fast.
- How bank accounts, Eftpos, personal loans, overdrafts, hire purchase agreements and credit cards work.
- What interest is and how it



Having jobs can give children an earning rather than an entitlement mentality.
Picture / Getty Images

compounds on debt and savings.

- How they learn from mistakes.
- Before any of these conversations happen, parents need to be in control of their own finances, or have a plan to control them. If the parents have no spending plan and max-out their credit cards, guess what the teens are going to do? It can be difficult to ex-

plain these concepts to teens and other children in a digestible way because we adults often take these things for granted.

Personal finance books and websites aimed at teens often phrase the explanations well and can be used as a resource for planning the conversations.

Good lessons involve framing the concepts in language young people can understand. I'm tempted to say to my kids, "credit is evil", but that's a lot less effective than explaining the concept in easy-to-understand terms.

Reader Jason Armishaw emailed me last week pointing out that much of the conventional wisdom teaches teens to become employees. His argument is that teens will get ahead further in life if they learn the art of entrepreneurship.

This is where the Young Enterprise Trust comes in. Many thousands of teens have been involved in the trust's programmes in schools and learned the art of running busi-

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nesses. Sadly, not all secondary schools offer such programmes.

Schools do now need to teach personal finance skills. The NZQA's new revised National Certificate of Employment Skills includes two compulsory personal finance management unit standards for school-age learners.

There are also many innovative board games and online games aimed at teaching teens about money. Some have been developed especially for use at school, such as the Reserve Bank of New Zealand's Skint to Mint game and the Young Enterprise Trust's Tactix and Credit Crunch, which teach financial decision-making and the cost of using credit cards.

If your children like board games, then consider playing Robert Kiyosaki's Cashflow for Kids game, The Game of Life, and good old-fashioned Monopoly.

Parents can also help their children become entrepreneurial by pointing them towards self-employed

holiday and after-school jobs that pay more than the minimum wage. Even better are the teens that set up holiday businesses and learn about passive income. Not all are unskilled.

Teens can and do start businesses in all sorts of fields that go on to be successful. There are many other entrepreneurial niches for teens. Google the words "business ideas for teens" and you'll find some.

A lot of excuses are made about teens and work. A while back I was cornered by someone I know about an article I wrote suggesting teenagers get jobs. That was fine for other kids, she said. But she wanted her teen to do well academically and

or a conservative KiwiSaver fund. Both will struggle to keep pace with inflation. Investing wisely means in higher-growth assets such as shares and property.

Whatever the future holds for an individual, the teenage years are the time to hone the skill of budgeting. Without it, what's the point of entrepreneurship or getting a well-paying job?

Thanks to the Auckland Libraries' new policy of transferring books for free, I've had every decent money for teens-type book in the entire system sitting on my desk this week. I've scanned them looking for new tips and good ideas that go beyond the usual money and teens advice; that is, teaching them to budget, encouraging them to get part-time work and inculcating a healthy fear of credit – otherwise known as debt – and so on.

Some are very good reads indeed. If you can succeed in getting teens to read a personal finance book all the better. Armishaw, now a 25-year-old entrepreneur who co-ordinates Startup Weekend in New Zealand, recommends *Rich Dad Poor Dad for Teens*, by Robert Kiyosaki, which I have on my own bookshelf.

Scott Pape's *The Barefoot Investor* is another of my favourites because it's written in language that teens can understand. One of the books I got from the library this week seems good as well. It's *The Teenager's Guide to Money* by Jonathan Self.

In short, Self's book is about money basics, Pape's is great for a basic understanding of investing and Kiyosaki's encourages entrepreneurship. All three are from overseas and have some information that is irrelevant to New Zealand. But most is good sage advice.

There are also good books aimed at parents of teens who want to teach them to manage money.

Local author Susanna Stuart's *Start Talking Cents* is a good example, as is Lendnal's book.