

A HELPFUL GUIDE FOR TEENS AND PARENTS

Learning to be financially **smart** and **savvy**

WISE WALLET:

Tips for financial
wellness





Tips for teens to be financially smart and savvy

As a teen, it is never too early to think about money management. Here are a few simple tips to learn now:



1

Income

Understand where your income comes from

The first step to money management is knowing how much money you make, also known as income. This money can come from a part-time job or helping around the house, a monthly allowance, or even gifts. Add it all up.

Whatever that number is, use it as a guide to learn to save money and decide how much you want to save and how much you have to spend each month. If that total changes monthly, stick to the smaller amount.

Open a checking and/or savings account so you can safely put your money away and keep track of it. Most banks offer a free checking or savings account for students.

Expenses

Track your spending

2

Keeping track of your spending helps to build a realistic budget and good money habits. Write down or use an app to track spending. Categorize expenses to give you an idea on where your money is going.



For example, you might be surprised to find how much you are spending on small things like snacks or drinks. Try a more budget-friendly option, like preparing those at home and packing them in reusable containers. A simple change to a regular habit may free up a sizable amount in your budget.

3

Budget

Create savings vs. spending budget categories

Start with **savings categories** such as

- Emergency Savings
- College Fund
- Short- and long-term purchases
(e.g., a car or a laptop)

Then have **spending categories** and prioritize by needs vs. wants.
For example:

Needs:

Cell phone, gas and school
lunches

Wants:

Gym membership,
clothes, entertainment,
subscription services, dates,
going out to eat



Strategy

Pick a budgeting strategy

4

Once you have a list of all your categories, it's time to figure out how much money to use for each one. Below are a couple of examples of plans for budgeting. Learn more about them and choose one that works best for you.



- **Pay yourself first** — This plan has you first put a certain amount or percentage of your income into savings. Whatever money is left over can be spent however you choose.
- **50/30/20 rule** — This rule budgets your money based on the following percentages: 50% for necessary expenses, 30% for other expenses and 20% for savings. You can change these percentages to fit your needs, and if you don't have many expenses, you may want to put more toward savings.



5

Remember:

Save first, spend later

Once you have a budget strategy, it is smart to always put your money into your savings before spending. Spending before you save can limit or drain your budget. By saving first, you practice discipline with your money and make it easier to stick to the budget you planned.

Savings accounts can help you build interest (when your money earns money). There are many types of savings accounts with different interest rates to help your money earn money. Learn more about options like a high-yield savings account, which earns a higher interest rate on deposits than a traditional savings account. Seeing the earnings per month can be a great motivator to save. This is a real-life example of how delayed gratification can lead to even more savings.

6

Goals

Set goals and stick to the budget

Maybe you're saving up for a car or a trip with friends.

Create a budget that will help you save the money needed and stick to it to meet your goals.

Saving and waiting to spend can be tough, but getting excited about a dream purchase can make working toward your goals easier.

You are not alone

Ask for help

7

When it comes to budgeting as a teen, remember to ask for help if needed.

You're still learning about many different parts of life, and it's ok not to have all the answers.

If you have questions, get advice from your parents or financial role models. Do your research and talk to trustworthy sources.



Credit

Learn credit card skills and how credit scores work

8

A credit card can feel like "free money" if you don't know the basics of credit, but if used responsibly, it can also help build good financial habits.

Before getting your first credit card, talk to a trusted adult to understand some basic facts including the perks of rewards programs, and the cost if it's not paid off each month, on time.

You may not have credit scores of your own until you start building a credit history at the age of 18. But you can still learn how to have a great credit score by learning what impacts or changes a credit score, how they are calculated and how to improve your credit score over time.

9

Resources

Check out teen budgeting resources

Social media isn't the only place to get personal finance tips and information. Check out these resource to learn more.

PODCASTS



Journey to Launch



The Clever Girls
Know Podcast



How To Money



Gen Z for
Financial Lit



So Money with
Farnoosh Torabi



YOUTUBE



CNBC Make It



Marko –
WhiteBoard Finance



The Graham Stephan
Show

WEBSITES

studentaid.gov/resources

unitedwaysb.org/financial-literacy-education

Your school, library and financial institution are good places to start for more tools and guidance. Be sure you are getting information from trusted sources.



Sources:

easypeasyfinance.com/infographic-7-reasons-all-kids-must-learn-personal-finance/
newcastlefinancialgroup.com.au/blog/money-hacks-for-teens-and-young-adults/
condorcapital.com/blog/2018/04/09/financial-tips-for-young-adults/
affinityfcu.com/financial-wellbeing/blog/personal-banking/5-money-tips-for-teens
creditkarma.com/financial-planning/i/budgeting-for-teens
echowealthmanagement.com/blog/10-money-management-tips-teens



Tips for parents and caregivers to help teens be financially smart

Money management skills are learned by practice and guidance from others with experience. The sooner the lessons begin, the easier it will be for teens to manage money of their own in a responsible way. Waving teens off with, “Money doesn’t grow on trees” or simply handing over money when they ask, does not teach them to think about setting priorities and making tradeoffs.

The goal should be to build an attitude that values responsible spending, long-range planning and perhaps even a charitable component. A basic core money management principle is that there’s a difference between what you want and what you need. When instant gratification is expected, nothing feels special or seems like enough.

1

Set your teen up with their own bank account

For your teen to practice earning, saving and spending, they need real-world experience. Many banks will let teens have a basic checking and savings account if there’s a parent involved. It could be funded from your teen’s part-time job, or from an allowance you pay them in exchange for household chores.

This can be a good time to introduce them to the ATM and how to responsibly handle actual cash.

2

Help teens make the connection between money and spending

In a time when it is common to buy things online and have them delivered to our door, spending can feel disconnected from the actual money we're using. The cost of something starts to feel imaginary.

Use cash, especially when your teen is just starting to practice their financial skills.

Whenever possible, have them use cash so they can see the money being spent, and how quickly it can run out. Think: food, movies, birthday gifts and transportation expenses.



3

Make a savings plan

If your teen has a part-time job, or they earn an allowance from you, what are they doing with that money?

Set them up with a saving habit, like automatically saving a percentage or dollar amount of income. For your teen, maybe it's, "Every time I get paid, I'm going to transfer \$50 to my savings account."



4

Help your teen make a budget

How much do they earn in a week or month? How much goes toward expenses, or “needs,” like gas, cell phone or other bills that they’re responsible for? How much have they committed to savings?

Finally, after needs and savings, how much money will they have left for “wants?”

Let your teen decide how to spend or budget any money that’s left, so they get a feel for the consequences. If they decide to use all of it on an expensive video game, that means they won’t also be able to buy pizza.



5

Look into low-balance credit cards

Once young people are on their own, it’s easy to get into financial trouble if they don’t understand how credit cards work. You can help your teen by introducing them to credit cards while they’re still under your roof.

The minimum age to qualify for a credit card is 18 years old, but older teens often still need a parent’s help qualifying. If you have a younger teen, you can usually add them as an authorized user on your credit card account, or you may consider opening a low limit credit card just for them. Have them practice using the card to buy something small, then immediately paying off the balance.

6

Use mistakes as learning opportunities

Teaching your teen financial independence is like teaching them any other life skill: At first, you do it for them. Then you start teaching them how to do it on their own. Once they have enough practice, they take over.

Every learning process involves making mistakes. When it comes to finances, wouldn't you rather your child make small mistakes now, before they're out on their own? Use these experiences to talk about what to do differently next time.

It's never too early to start!

Even preschoolers can start to learn about money and savings. Maybe set your young child up with one spot to save for the ice cream truck, another to save up for toys they want, and one that goes into a piggy bank for their future.

By starting the conversation about money early, you'll help your child form good habits and feel comfortable coming to you to talk about financial questions down the road.

Learning healthy financial habits at an early age will empower your child or teen and help prevent costly mistakes later in life.

Sources

"Letting Go with Love and Confidence: Raising Responsible, Resilient, Self-Sufficient Teens in the 21st Century" Kenneth Ginsburg and Susan FitzGerald. Avery Press, Penguin Books, 2011

Teach your Teen Financial Independence from Connecticut Children's Hospital

bettermoneyhabits.bankofamerica.com/en/personal-banking/money-management-for-teens/cfnc.org/news/money-management-for-teens/

Teen Budget Worksheet

Building a budget together is a great way to start. Working through the process can encourage smart spending habits and help your teen create a savings plan they can track. Use this handy worksheet to get the conversation rolling.

INCOME

Source of income	
------------------	--

EXPENSES FOR THE WEEK OR MONTH OF _____

Personal	\$ Amount Budgeted	\$ Amount Spent
Gifts		
Clothing/Shoes		
Accessories		
Haircuts, etc		
Mani/Pedi		
Gym membership		
Toiletries		
Cell phone		
Other		
Total		

Entertainment	\$ Amount Budgeted	\$ Amount Spent
Movies		
Gaming		
Concerts		
Music/Videos		
Hobbies		
App purchases		
Sports		
Subscriptions i.e. Xbox, Playstation		
Other		
Total		

Food	\$ Amount Budgeted	\$ Amount Spent
School lunch/drinks		
Snacks		
Eating Out		
Drinks i.e. Starbucks, juice, soda		
Other		
Total		

Transportation	\$ Amount Budgeted	\$ Amount Spent
Car contributions		
Gas/Electric charging		
Uber/Lyft		
Bus pass		
Bike parts/repairs etc.		
Other		
Total		

Giving	\$ Amount Budgeted	\$ Amount Spent
Donations		
Other		
Total		

Grand Total		
--------------------	--	--

SAVINGS

Income Weekly/Monthly	\$ Amount budgeted Expenses budgeted from table above	\$ Savings goal Income minus amount budgeted	\$ Amount spent Expenses spent from table above	\$ Amount saved Income minus amount spent

SAVINGS GOAL

Why are you saving?	
----------------------------	--

Notes:

At Cottage Children's Medical Center, our team of pediatric experts is often asked for age-appropriate tips to help children and teens learn about money, to avoid the stressors of debt and excess spending as they approach adulthood. Having these conversations early can help children establish spending healthy habits. The tips in this booklet are for general reference to help in talking about money. Please consult a qualified financial advisor for specific questions.

This brochure provides general information to promote financial literacy and pediatric wellness. It has been compiled by your pediatric team at Cottage Children's Medical Center.

