

# YOUR GUIDE TO THE NEXT BIG TALK:

# THE MONEY TALK

Having the “**money**” talk with your teen is as important as speaking to them about any other life challenges. A healthy relationship with money starts at an early age.

This guide will provide you with tips and tools to have that all-important conversation, a big step in getting your teen started on the road to financial independence.

## The four building blocks to financial health:



Spending



Saving



Borrowing



Planning

## Let's Get Started:

- In part one, prompter questions help spark a two-way discussion with your teen. Ask the questions, be open, speak from the heart (and the pocketbook), but above all, have fun.
- In part two, set aside time for money-talk reinforcement activities that give you more chances to connect with your teen.

# THE MONEY TALK

## Part 1: Conversations



**WHY IT MATTERS:** Managing cash flow and spending less than your income directly affects your ability to deal with unexpected events, and build savings for future expenses.

### PARENT PROMPTER

- Talk about the last big purchase you made. Share your purchase process: what steps did you take? Did you save up for it or get a loan? Is there anything you'd do differently?

### TEEN PROMPTER

- Write a list of items you spent money on in the last week. Compare the costs of these items to the total amount you earned through allowance or jobs. Did it match up, or did you save any cash? Seeing the total amount, would you do anything differently?

**Spending Tip:** Give yourself 24 hours to think about a purchase that you want vs. need. If it is a want, put the item on hold. If you look at your budget and decide you can afford it, it'll always be there the next day.



**WHY IT MATTERS:** Having sufficient savings is important for coping with the unexpected, like a car repair or a sudden drop in income. A strong savings account also means you can take advantage of financial opportunities, such as investing or education.

### PARENT PROMPTER

- Talk about the percentage of income that you save each month in savings or retirement. How many months of living expenses do you have saved? Talk through ways your family can increase savings for future expenses.

### TEEN PROMPTER

- Think about one big item you would like to save up for. Discuss how much money you would be able to set aside each week or month. How long would it take you to save enough money?

**Saving Tip:** A good rule of thumb is to try and save at least 10 percent of your paycheck or allowance – and more is even better! Setting up automatic transfers to your savings account can help you stay on track.

# THE MONEY TALK

## Part 1: Conversations



### Borrow

**WHY IT MATTERS:** Managing your debt responsibly means that you will not be overwhelmed by interest, late fees or payments, which impact your credit score and can lead to further financial problems.

#### TEEN PROMPTER

- Do you know what actions can impact your credit score positively or negatively, or who potentially reviews your credit score?

#### PARENT PROMPTER

- Discuss impacts to credit scores like payment history, total debt amounts, length of accounts and inquiries by creditors. Share that credit scores can be considered by lenders, insurance companies, landlords, and even future employers. What steps did you take to build your credit? Share when you first applied for a credit card or loan, and the process you went through. What lessons did you learn along the way?

**Borrowing Tip:** Making loan payments on time is one of the most important things you can do to keep your credit rating high. Setting up automatic payments can help you set yourself up for credit success.



### Plan

**WHY IT MATTERS:** Planning ahead by setting goals, preparing for expenses and obtaining insurance are important fundamentals of positive financial health...now and in the future.

#### PARENT PROMPTER

- Do you have a budget, spending strategy or financial plan that you use? Do you use a money management tool? How do you pay your bills each month? Discuss your budget and payment process with your teen.

#### TEEN PROMPTER

- Think about your goals over the next 1 to 3 years. Discuss the immediate steps you need to take to achieve those goals. Also, identify any associated costs and make a plan for how to pay for them.

**Planning Tip:** Budgeting requires you to be honest with yourself. Start a spending journal or use tools like BECU's Money Manager to see where you're spending your money and identify where you may want to cut back.

# THE MONEY TALK

## Part 2: Activities



### Spend

#### COOK UP A BUDGET

**PARENT:** Ask your teen to choose a dinner recipe to feed the entire family. Give them \$20 to go to the grocery store to pick out ingredients. You can also encourage them to look for coupons ahead of time.

**TEEN:** Discuss the price of each item, add it up as you go and review the choices and trade-offs you make along the way. For example, is there another brand on sale or available for a lower price? Can you swap out another ingredient for one that is less expensive?



### Save

#### A HEALTHY INTEREST IN INTEREST

**PARENT:** Search for an “interest calculator” on the Internet with your teen and use it to show how small amounts of savings can add up over time. What will \$100 be worth 10, 20, 30, 40, 50 years from now? Take a step further by researching CD (Certificate of Deposit) offerings with your financial institution or reference the CD calculator on BECU.org for more savings options.

**TEEN:** With the “save, share, spend” philosophy, you can set aside money specifically for spending, saving for the future and charity. Identify a community organization or non-profit that is close to your heart and consider giving regular donations, which can provide tax benefits in the future.



### Borrow

#### JUNK MAIL – FINALLY GOOD FOR SOMETHING

**PARENT:** Collect all of the credit card offers that you receive in the mail and review them with your teen. Look for the interest rate. Is it promotional with an end date? Is there an annual fee? Discuss the grace period. Do they offer other perks?

**TEEN:** Compare the features and discuss the advantages and disadvantages of each offer. You can also play out purchase scenarios—like buying a laptop on credit. If you make the minimum payment, how long will it take to pay off the computer? What will the total cost be, given the interest accrued over time?



### Plan

#### LIFESTYLES OF THE SMART & PRUDENT

**TEEN:** Write down what you want to accomplish in the long-term—both personally and financially. Focus on your dream job and lifestyle. Where do you want to live?

**PARENT:** Together, research the requirements and average income for their dream job and compare it to the costs of their lifestyle, including groceries, rent or average home prices in their desired community. And if a family is part of the plan, research average childcare costs. Support them in their goals and reinforce the important role that finances play.