



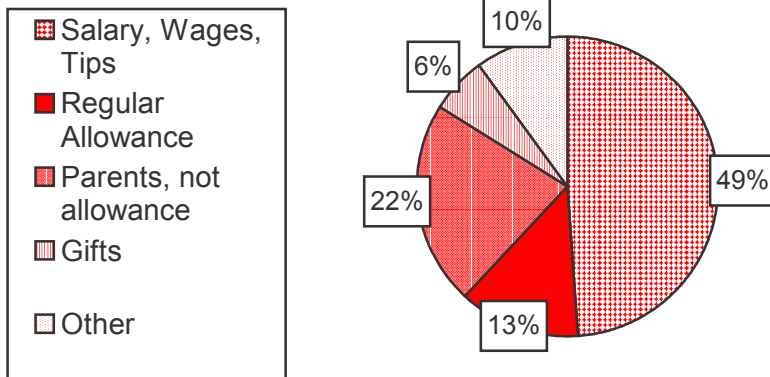
# Parents Make A Difference!

## Teens and Money

May 2003

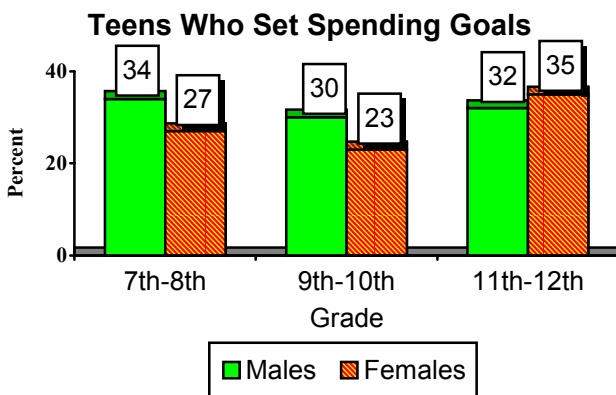
Research from the recent Southwest Wisconsin Youth Survey (SWYS) of 5,704 students in 7<sup>th</sup> through 12<sup>th</sup> grades from 19 school districts shows that almost 50% of the teens report their main source of income is salary, wages and tips. Twenty-two percent report their main source of income comes from their parents as needed or requested, not as a regular allowance.

**Sources of Teen Income**



As teens begin to work, they are exposed more directly to money and how to manage it. Most teens learn how to manage money by observing their parents' money management styles. Since teens are seldom responsible for rent, food or utilities, they tend to use their money for non-essentials like music, health and beauty products and recreation. They experience "premature affluence," because they aren't responsible for essentials.

Parents can help teens learn how to better manage their money by giving them opportunities to make choices and learn from experience. One way to start is to help teens develop spending habits by making a spending plan. This involves estimating expected income followed by identification of long term goals. For a teen, these big goals might be a car, a trip, stereo equipment, or saving for college. Next, the teen figures how much to set aside in savings each week to meet these goals and how much money can be spent on other things.



### Teens and Budgeting

As the previous chart illustrates, about 1/3 of the teens in SWYS report that they set goals for using their money. This varies by grade and by gender. More males report setting goals than do females. Younger students also are more likely to set financial goals. The one exception is 12<sup>th</sup> grade females where 39% of them report setting goals for spending.

Teens who work also report setting spending goals more often. Thirty-three percent of teens who work 1-19 hours per week set goals for using their money and 40% of teens who work more than 20 hours per week report setting goals for using their money.

### Teens and Credit Cards

According to a survey by the Jump\$tart Coalition for Personal Financial Literacy, many Wisconsin high school seniors lack a basic knowledge of credit cards, investing, insurance and other personal finance topics. However, SWYS data shows that credit card use is fairly constant for males and females between grades 7-11 (17% to 25% report they use a credit card for at least some purchases) and increases significantly for 12<sup>th</sup> graders (36% of females and 32% of males report they use a credit card for at least some purchases).

Overall, in SWYS, 12% of teens report using credit cards sometimes, always or often. Parents can help teens learn to use credit wisely by reviewing the monthly billing statement, explaining the importance of paying the balance in full each month and explaining that finance charges are added to the cost of purchases.

## Teens and Family Finances

SWYS data shows that over 20% of all teens report they give money to their parents, or adults they live with, in order to help out the family financially. Fifty-three percent report they never give money to their parents and 26% of all teens report giving money to their parents on rare occasions.

When asked if they worry that their family has enough money to get by, 19% of 7<sup>th</sup> graders reported worrying about this. However, only 9% of 12<sup>th</sup> graders worry about their family having enough money. Interestingly, 37% of those who worry quite a bit about their family having enough money, also report they give money to their parents to help out the family financially.

## Teens and the Cost of School Activities

Some schools charge students to participate in school activities. It might be a fee for a sport, partial payment for driver's education, a fee for a musical instrument or class fees. SWYS asked teens if the cost of school activities keeps them from participating as much as they would like. Twenty-five percent of 7<sup>th</sup> and 8<sup>th</sup> graders agreed that the costs keep them from participating; only 19% of 9<sup>th</sup>–12<sup>th</sup> graders report the cost influences their participation.

## PARENTS CAN MAKE A DIFFERENCE!

So what can a parent do to help their teen learn how to manage money? While teens may not want their parents to tell them how to spend money, Linda Boelter, UW-Extension Resource Management Specialist, suggests that parents can allow their teens to practice these money management tasks while still living at home:

- Give teens the task of balancing your checkbook.
- Teach young people how to make deposits and withdrawals from an ATM machine.
- Ask your teen to do the family grocery shopping for a week.
- Have your teen gather information, check for quality and price and compare financing options for a major purchase the family plans to make, such as a car or an appliance.
- Review your auto, health, life and homeowners insurance coverage with your child and explain what it protects.
- Encourage your teen to learn how to invest savings for growth to meet goals.
- Help teens complete income tax forms if they're employed.
- Compute miles per gallon on family vehicles.

## How are You Doing?

Here is an exercise that may help you evaluate what you are or are not doing to teach your children money habits for life.

"Yes" answers indicate ways you are helping your child learn money management skills. "No" answers could mean you may need to help them more.

### Yes No

- |     |     |  |
|-----|-----|--|
| ___ | ___ | 1. Do each of my children have some money to manage without my input?  |
| ___ | ___ | 2. Have I helped my children set up a spending and saving plan?  |
| ___ | ___ | 3. Do I avoid using money as a reward or punishment?   |
| ___ | ___ | 4. Do each of my children do some regular household chores?  |
| ___ | ___ | 5. Do I set a good example by being truthful about money matters?  |
| ___ | ___ | 6. Do I give my children more financial responsibilities as they get older?  |
| ___ | ___ | 7. Am I a good money manager, giving my children a good example to follow?   |
| ___ | ___ | 8. Do I allow my children to make their own decisions about money when there are alternatives?   |
| ___ | ___ | 9. Do I praise my children if they have made wise decisions with their money?  |
| ___ | ___ | 10. Do I help my children find ways to earn extra money that is age appropriate and suits their abilities/skills?  |
| ___ | ___ | 11. Do I allow my children to make mistakes related to money and help them to understand the consequences?   |
| ___ | ___ | 12. Do I sometimes verbalize my own desire to acquire more goods and services than my income can handle so that my children know that I say "no" to myself, too? |

Adapted from *Money Sense for Your Children*, Alice Mills Morrow, Extension Family Economic Specialist, OSU Extension Service.

"Parents Make a Difference" is a product of the Southwest Wisconsin Youth Survey (SWYS), a program of the University of Wisconsin-Extension, local school districts and UW-Platteville. This series is adapted from the UW-Extension "Whose Kids?...Our Kids!" series. This issue was written by Deb Ivey, UW-Extension Iowa County and edited by Ruth Schriefer, UW-Extension Iowa County, Christina Kenney, UW-Extension Grant County, and Tom Schmitz, UW-Extension Grant and Lafayette County. Thanks are extended to the 5,704 7th to 12th graders from southwest Wisconsin who participated in the 2001 SWYS survey. Contact UW-Extension for further information, or by phone Grant County (608) 723-2125; Lafayette County (608) 776-4820; and Iowa County (608) 935-0391 or on the web at [http://www.uwex.edu/ces/cty/grant/tap/parent\\_resources.html](http://www.uwex.edu/ces/cty/grant/tap/parent_resources.html)