

## YOUR MONEY SORTED



# TEENAGERS AND MONEY

By LETITIA WATSON

Send suggestions for topics and requests for info to [yourmoney@you.co.za](mailto:yourmoney@you.co.za). We may answer your questions in this column but won't reply personally.

### Help your kids understand that using credit cards recklessly could cost them dearly

#### START EARLY

Many moneywise adults learnt how to work with money from their parents. Teach your teens how to save and spend responsibly before they leave home. If you've invested money for your kids early, they can learn while still at school how interest can make savings grow. Discuss the family finances openly and get everyone to put in an effort to save for special things or events. Even if you're struggling financially, you should try to teach your children to have a responsible attitude to money.

#### POCKET MONEY

This is probably the first money your teenagers will learn to manage. They must realise it's not that easy to earn money in real life. Let teens earn pocket money by doing odd jobs at home – and teach them if they neglect to do the tasks there will be consequences, Eunice Sibaya of FNB says. This doesn't mean they must work like slaves, but they should understand that income comes with certain responsibilities and that they can earn more if they do extra jobs.

#### BUDGET

Few people can tell you how much money they earn and what they spend it on. Teach your children to draft an honest budget so they can see exactly what they're spending their money on. There are cellphone apps to make budgeting easy. Peter Dempsey of the Association For Savings And Investment South Africa (Asisa) suggests that families keep a joint list of their expenses. Let your teens make a detailed list of regular monthly and once-off daily expenses.

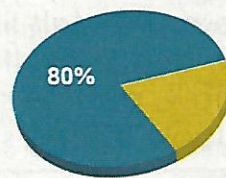
#### IT'S IMPORTANT TO SAVE

Saving is an essential part of your child's budget. Make it a rule that 10 percent of all income must be saved, whether it's pocket money or money they've been given as a gift, Sibaya says. There are several investment options with low monthly fees that require minimum deposits. Compound interest can make smaller investments grow to more over longer periods than larger investments over shorter periods. Whether you choose a bank account or unit trust, make sure the interest earned is higher than the fees.

## FIVE QUESTIONS ABOUT TEENS' FINANCES

- 1** How can I motivate my teens to save? You can reward them by equalling their savings contributions.
- 2** How can I get them to understand the costs of data and phone usage? Show them the accounts for expenses they don't usually see, such as fuel, electricity, phone and data usage.
- 3** What about credit cards? Find out how much your child knows about them and explain about the interest that debt attracts.
- 4** Why is saving important for teens? It teaches them independence but they also may go for long periods without income while job-hunting and might not earn much initially.
- 5** Can a teen open a bank account or make an investment? If the child is younger than 18, a parent or legal guardian must do it or be present.

## NEARLY 80% OF SALARIES IS SPENT ON DEBT



The ratio of South African households' debt to their disposable incomes is 78,4 percent. This means most families finance their lifestyle with borrowed money – and that in turn means most teens grow up without any concept of the value of money and the pitfalls debts pose, says Peter Dempsey of the Association For Savings And Investment South Africa.

**TIP!** Let your child save first before spending what's left, instead of first blowing their money then saving what's left.

#### GET MORE HELP HERE

- Look at apps such as Bankaroo, The Game Of Life, Kids Money
- [moneyinstructor.com/kids](http://moneyinstructor.com/kids)

*The easiest way to teach children the value of money is to borrow some from them*

- THINKEXIST.COM