

# **Youth Banking**

## **Learning How to Manage Money the Right Way**

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Teenagers lead more complicated lives than the generations before them did at the same age. They are increasingly social and independent, and are a prime consumer target population for a wide range of goods and services. Many high school students hold part-time jobs and earn enough money to pay bills and enjoy certain luxuries. Learning how to manage money at a young age can help teens form positive financial habits for a lifetime.

### **Start at your local bank**

Consider encouraging your teenager to open a checking account at a local bank. This might be a good idea for high schoolers who are responsible for paying some of their own bills such as a cell phone or car payment, for instance. Your local bank likely offers at least one checking account option suitable for students. Many times, traditional banking charges are waived on such accounts. Some of the features of these accounts include no minimum balance requirements, no monthly service charge, and free online banking. Parents who want to be able to keep a close watch on how their child is spending his or her money could become a joint account holder. A joint account gives parents access to bank statements and the ability to log in online occasionally to see their kids' banking activity.

### **Lessons to be learned**

With a checking account most likely comes an ATM/Debit card. High school students can learn to use that card wisely at restaurants, the movie theater or shopping with friends. Using the card is good practice at learning to spend only what they have in their account. Some student accounts also put a limit on the number of ATM and debit transactions account holders can make in a month without charge, forcing teenagers to plan the use of the card more carefully.

A big advantage to letting teenagers open a checking account is that it gives them a head start on learning how to budget by balancing monthly statements and tracking their spending before entering the "real world" on their own. There are lessons to be learned if they bounce a check or become overdrawn. Students also will learn that deposits can take time to credit to their account before they can actually spend the money.

### **Savings accounts and beyond**

If your child doesn't already have one, advise them to set up a savings account, too, and discuss how much money should be deposited into it from every paycheck or extra cash they receive as gifts or from allowance. If the habit of putting money into savings is established early, it will be more likely to become a lifelong way of managing money.

Later on, parents might consider seeking some financial advice for their teenager to invest some of what he/she has earned. There are many long-term investment options appropriate for young investors, many available at the bank where you already do

business. When it comes to investing, teens have a huge advantage over their parents: time. The magic of compounding is dramatic when you start saving young.

No matter how big or small a student's budget, it is always a good idea for parents to teach the basics of how a checking account and ATM/Debit card work. Parents whose teenager doesn't have a job for earning spending money might consider letting him or her open a checking account that's funded with allowance money. Deposit the same amount per week or month into the account, and your child will learn the same budget lessons as their working peers. At some point in their lives, students will have to rely on using a bank account of some sort to pay their bills. By teaching your teenager now to carefully record each transaction and balance his/her checkbook with monthly statements, he/she will be well on their way toward handling a checking account responsibly.