Teens and Money
by Elaine Kiernan
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According to figures released through a recent Teenage Research Unlimited (TRU) study, teenaged consumers spent an average of $101 per week last year. That's over $5,000 per year! More than 45% of American teenagers use their parents' credit cards, and more than 15% have their own. While this shows us that teens certainly understand the ease of spending money, many of us realize how few of them understand the value of saving money.

In today's culture, we are all bombarded daily with advertisements telling us the products we *must have* and *need*. And the advertisers pull out all of the stops: celebrity endorsement, easy payment options, instant credit, and a term we have developed – "Internet Inundation." As a result, many people have a great deal of difficulty distinguishing between needs and wants, and teenagers especially lack the life experience to differentiate. As a rule, needs are basic to survival, while wants make your life more comfortable. If we can get our teens to understand the cause and effect of spending, saving, needs and wants, we will be passing on to them one of the most valuable lessons they will ever learn. We all know that instant gratification can have long-term repercussions.

Developing a spending plan is a valuable tool to assist individuals with understanding how money is actually used and how much we can anticipate realistically having for saving. The primary reasons for developing a spending plan are:

First, to help us to determine where money is actually being spent;

Second, it helps us decide where to spend money in the future;

Third, it helps in developing a savings plan; and

Fourth, and perhaps most importantly, it puts us in control of our financial future!

Perhaps the following illustration can encourage some of our readers and their children to begin saving at an early age:

Let's assume Jane and Tom are both twenty-one years of age. However, they have a different attitude on when to start saving and how to view the future.

Jane begins putting away $2,000 per year when she is age 22. She only does this for nine years for a total of $18,000, and then she then stops and puts nothing more into that account.

Tom on the other hand, feels he's too young to worry about retirement and decides to wait until he's 32 before he begins saving money. He contributes $2,000 per year for the next 32 years for a total of $70,000. Assuming a reasonable compounded growth rate of 9%, guess who has the most money at age 65? The answer may surprise you ~~

…Because of the value of compounding, Jane ends up with $579,471 while Tom only has $470,249…even though he has contributed 23 years more than Jane! So, consider someone who begins saving when they are 17 or 18!

Another way of looking at savings would be to consider putting some money away each week; either from allowance money or part time jobs. This time, let's assume 5% compounded interest. You can see from the following chart what a difference even a small amount of savings can make!

Amount Saved Per Week	Value After 10 Years
$ 7.00	$ 4,720
$14.00	$ 9,440
$21.00	$14,160
$28.00	$18,880
$35.00	$23,600

Regardless of the reasons you want to save money…whether it's for a first car, house or even retirement; awareness of where you are currently spending money is critical to being able to put together a successful spending plan. Attitude and habit are equally important. If you can help your teens understand the value of a spending plan and the value of saving now, you will be helping to set them up for a successful financial future!

About Elaine Kiernan:

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She is President of Financial Resource Associates (www.FRAssociates.com), a Registered Principal/Branch Manager of Geneos Wealth Management, Inc. and holds memberships in the Financial Planning Associates (FPA), the Institute of Divorce Financial Analysts (IDFA), and the International Association of Collaborative Professionals (IACP). Her firm, Financial Resource Associates, Inc. is a Registered Investment Advisory firm and she will reach her 25th year in practice in 2007. She is licensed by the California Department of Corporations, and the NASD.

Elaine and her firm specialize in all aspects of financial planning, divorce services, small business services, same-sex issues, insurance, and

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