

# Helping Teens Manage Income



## How do you manage money as a teenager?

From your first paycheck to your first car, managing money is an essential skill that takes time to develop. There are many obvious changes when you go from being a kid to a teenager. However, changes to your money situation – both in the amount of money you control, and your responsibilities and expenses, also change as you mature and become more independent.

You will have several changes in your income situation throughout your teen years. And because you're not quite an independent adult yet, with real bills and a real full-time job, you deserve special teenage money management tips.

## Top issues with money

1. Handling income from your first after-school/weekend job.
2. Saving for big items like a new phone, a car or post-secondary education.
3. Discovering the blurry line between what is your parent's responsibility and what is your responsibility to pay for various things.

## What exactly is money management?

Let's look at a simple description. It all comes down to the decisions you make and the actions you take with the money you have so that you can get the best outcome—both immediately and in the future. In this way, money management is the same for teens and adults. However, there are a few key differences for teens to acknowledge.

1. You are in control of less money than an adult.
2. Your expenses are considerably less and probably the lowest they'll ever be in your life. (Enjoy it while you can!)
3. Every family will have different degrees of control when it comes to money earned and spent by teens. The arrangement you have with your parents will not be the same as your BFF – sorry!
4. You will be in a special money-making/money-spending relationship with your parents for several years.



## What your parents will control.

- Deciding to give you an allowance or paying you for completing chores—sometimes called a “chore commission.”
- Allowing you to work at a first job, especially during the school year.
- Helping you open your own bank account or insisting on a special account where they have some parental access (including deciding if they allow you to have a debit card.)
- Choosing to assign you as a user on their credit card, or deciding you need to use cash-only.

One of the most significant aspects of your relationship with your parents will be what expenses you are expected to cover as a teen versus what expenses they are willing to pay as parents.

## Steps to manage your teen dollars wisely.

### 1. Know your sources of income.

Unfortunately, money doesn't appear from thin air. Some ways of earning money can include the following:

#### *Allowance*

This is money that parents give you without any expectations to receive it, other than learning how to make decisions on spending.

#### *Chore commission*

Typically, kids earn money by completing assigned tasks or chores around the house. It also helps you learn how to be a contributing member of your family and the value of your time.

#### *Teen entrepreneur*

Creating your own job like mowing the lawn for neighbours, babysitting or dog walking.

#### *Part-time job*

Examples: cashier, fast-food prep, car washing.

## 2. Obtain your Social Insurance Number (SIN).

The Social Insurance Number (SIN) is a nine-digit number that you need to work in Canada or to have access to government programs and benefits. There is no fee to apply for a SIN.

You can apply for your SIN online :

<https://www.canada.ca/en/employment-social-development/services/sin.html>

## 3. Set up a bank account.

Most banks are happy to have a new client, especially a teen that will require banking services for many years. Visit a local bank branch to open a savings account if you don't have one yet. Staff will guide you through the very simple procedure and explain some of the different types of accounts. First-time account holders are usually encouraged to have some helpful limits on certain transactions.



#### **4. Establish money rules with your parents.**

Have important and frequent conversations with your parents about money rules, money responsibilities, and money boundaries. These rules will change as you get older.

Some rules can include maximum spending amounts. If you want to purchase something above the maximum amount, it can require parental approval first. Identify categories of items you can buy, and ones you're not allowed to buy, even though it's your own money. Many families include specific rules for giving and saving.

Learning to become charitable is a valuable life skill. This doesn't mean giving huge amounts of money away. Rather, it means learning to budget for helping others, which is considered socially responsible and can be a personally rewarding experience.

Saving rules are also important for long term goals such as college or buying your first car or home.

#### **5. Set up a budget/spending plan.**

A spending plan will help you know what to do with each dollar you earn. A budget shows you the real numbers that come in, and must go out.

#### **6. Track your finances.**

Tracking money is essential. You need to track your savings, spending, and money's growth, called "interest." There are many money management apps—some are even free—to help keep track of your purchases and the amount of money that is available to you.

#### **7. Make a list of possible teen expenses.**

Discussing what is considered a teenager expense with your parents is essential. You need to understand who is going to pay for what. Boundaries can clearly identify where a parent's money ends and a teen's money begins. Those boundaries will naturally shift as you turn into an adult and are 100% responsible for everything. When you brainstorm a list of expenses, you and your parent will notice two general categories: something you really need or something you really want. Some examples of teenager expenses can include:

- Data overages
- Gas
- Car insurance
- Weekend activities with friends (going to the movies or spending money at the mall)
- Makeup
- Gifts for siblings/friends/parents
- After-school snacks
- Apps or video games
- Name brand clothing (versus the basic version your parent might be willing to buy)
- Items the teen breaks or loses (like a broken iPhone screen)
- Unnecessary (but desirable) upgrades, such as technology or software
- Money penalties like parking tickets, overdue fines
- Lunches from fast-food (because you can make your own lunch from home for free)



## 8. Discuss reasons to save money as a teenager with your parents.

Most teens wonder why they should save money. To be honest, without a savings goal, money tends to easily disappear. You may spend it on trendy and expensive coffee drinks, go over your cell phone data amount, or you just feel like you really ‘need’ those new jeans.

You need a reason to save money to get you in the habit. Discussing the possible reasons with your parents can help you know about expenses in the not-too-distant future that maybe you don’t think are important right now. Below is a list to answer the question: *What should I save for as a teenager?*

- To pay for a car
- To pay for car insurance
- To help pay for post-secondary education
- To pay for college textbooks
- To pay for room decorations your parents won’t pay for
- To pay for driver’s education or public transit passes
- To pay for first/last month’s rent on your first apartment
- To buy your specific prom dress you’ve been keeping your eye on for the last several months
- Vacation money
- Save up for a new cell phone
- New laptop

## 9. Identify common teenage financial problems.

It’s helpful to know about common financial problems teenagers face – either of their own making, or obstacles that are just part of life. Here are some examples that will affect money management:

- Pressure to buy, wear, and use the trendy thing on the market, which gets costly.
- Losing sight of a saving goal, which makes it easy to spend all your money!
- Not knowing your bank balance and having your debit card declined at the cash register – that’s embarrassing for teens and adults!
- Getting sucked into instant gratification or struggling to accept delayed gratification.
- Wanting to buy something your parents don’t permit.
- Not saving because you think your parents might pay for the expense.
- Not having enough money each week for gas for the car.



## 10. Knowing your money values.

There are different types of values.

We often think about values such as honesty, caring, success, security, power, comfort, etc.

Money values are ways to help you achieve the things you want in your life—the deeper, more emotional values—such as freedom, love, or feeling like you made an impact in the world.

The saying “money can’t buy you happiness” is true for good reason.

Yet there are many ways we can manage our money to lead us to feeling happier, such as affording a vacation or raising a family.

Here’s an easier way of understanding the idea of money values:

Money values = the rules that you use to maximize your money to support the life you want to live.

## Final thoughts on managing money

Addressing these steps will help you to spend money wisely as a teenager.

Having clear money values help you clarify what is most important and can means decision-making can be easier.

Everyone makes mistakes managing their money. It’s easy to do!

By considering these tips, you can become more aware of how hard it is to earn money, and practice wise spending and saving habits. Make your dollar go further longer.