



**BOOK 4 OF 4**

**SMART START FINANCIAL  
LITERACY SERIES:**  
READYING YOUR HIGHSCHOOLER FOR  
FINANCIAL INDEPENDENCE



# ARE YOU READY TO KICKSTART YOUR CHILD'S FINANCIAL FUTURE?

As parents, we work to provide our children with everything they need to be happy and healthy and to prepare them to be successful when they are adults. When they are little, we focus on their physical well-being. We monitor what they eat and drink, and make sure they are brushing their teeth and getting to bed on time. As they get older, we help them with their homework and monitor who their friends are so they can do well in school and have positive peer influences. Children look to the adults in their lives to teach them about the world around them and to provide guidance on everything they need to know.

Unfortunately, when it comes to personal finance, many adults aren't sure how to teach the kids in their lives how to make the right decisions. Many parents and caregivers never learned the basics of personal finance themselves. According to the 2017 Consumer Financial Literacy Survey conducted by the National Foundation for Credit Counseling and the Boeing Employees Credit Union, only about 40% of respondents have a budget and track their finances. 27% are saving nothing for retirement. These are just a few indicators that show the struggle many have with debt management and saving for the future.

The AmeriChoice Smart Start Financial Literacy e-book Series for Parents is designed to help address that gap. It will provide you useful tips and tactics for activities in six categories that you can do with your kids to help them be more money savvy.

*As your kids prepare to enter the real world, getting first jobs and looking for increased freedoms, it is important to help them understand the realities of modern banking options, as well as the possibilities and responsibilities of credit and debt. This book provides ideas to use with your 15-18 year-olds as they move through high school and into young adulthood. Once they begin earning money, taxes are another real-world lesson that can't be overlooked.*



## TOPICS COVERED IN THIS GUIDE:

This four book series provides you with age-by-age ideas on how you can help prepare your kids for a secure and solid financial future. The full series addresses a full range of topics, focusing on steps you can take at each age related to:

- Basic Money Concepts
- Earning
- Budgeting
- Saving & Spending
- Borrowing
- Investing





## EARNING

For most teens, earning their own money takes on a greater urgency as a way to support their need for independence.

### High School Concepts

Once in high school, kids are able to start working in part-time and summer jobs. The ability to earn their own money helps teach responsibility and can also help them identify what kinds of jobs or environments may be most appealing to them for a future career.

- **Research the careers that interest you:** Most jobs require some sort of preparation, whether it is education or specialized training, and that preparation really begins once you are in high school. Getting details on what you want to do will help you make the best decisions both in school and in the temporary or part-time jobs you have today.
- **Full-time career employment is different than part-time jobs:** Once you move into full-time employment, many employers provide benefits beyond a simple salary with things like insurance or retirement fund support. When considering jobs, these should also be evaluated and considered as part of your overall earnings picture.

## Ideas You Can Use

- Help your teen set up job shadowing and internships with a variety of friends, family members and acquaintances so that they can be better informed on what different careers and workplaces are like.
- Help your teen identify strengths and match them with different career fields. School guidance offices and online tools can assist in these assessments.
- Encourage your child to get a part-time job and review and discuss their pay statements to explain where the money that is withheld is going.





# BUDGETING, SAVING, & SPENDING

## High School Concepts

By high school kids should have a firm grasp on the general concepts of spending and saving. If emergency savings are already accruing, start talking to your children about longer term savings plans. If kids get in the saving habit early, they are more likely to continue it as they move into the working world.

### Encourage your Teen to try a Pay Yourself First Budget

A June 2018 survey from Bankrate.com found that 23% of Americans have no emergency savings at all and only 29 % could cover 6 months of expenses should they lose their jobs. And younger workers are the most likely to find themselves in this danger.

Saving money can be hard, especially once you become accustomed to living a certain lifestyle. While some financial experts suggest a line-by-line approach to budgeting, this approach may be too overwhelming for many teens.

Instead, try the Pay Yourself First approach. Decide how much money needs to be saved each month to meet different savings goals. Deduct the total amount from your monthly earnings and then use what remains to shape your budget for the month. This approach prevents you from spending for today and finding yourself shortchanged in the future.

## Ideas You Can Use

- Encourage them to have a certain percentage of their paycheck deposited directly into a savings account specifically set up to cover unexpected emergencies.
- Help your teen open a checking account.
- Compare the costs, benefits and risks of different payment options, including gift cards, debit cards, credit cards, check and cash.
- Review the costs of check cashing and other services with banks, credit unions or other third-party non-financial institutions.
- Review and reconcile a checking account.



# BORROWING

## High School Concepts

High school students are faced with the kinds of purchases in their futures that frequently necessitate taking on debt, such as auto or school loans. Before stepping into these potentially treacherous waters, kids need a solid understanding of how to make credit work for them and how to prevent things from going wrong.

- **Loans come in many forms:** Terms and interest rates are just two of the difference you will find among various loan products available today, which include leases, loans, rent-to-own contracts and more. Whichever product you choose, be sure you also understand any limitation, penalties or late fees that can be added to standard payments, as these can add up quickly.

- **Debt relief and management options exist:** “Easy credit” gets many people into trouble, and it can do it quickly. There are many private and non-profit organizations available to help those with credit problems find resolution. But the best path is to manage your credit effectively and avoid the need entirely.

- **Bankruptcy has consequences:** Declaring bankruptcy is a refuge of last resort for those who can find no other way out of debt. But the consequences linger for many years and so can't be undertaken lightly.

- **Credit isn't just for individuals:** Businesses rely heavily on credit in order to stay in operation. Revolving lines of credit help many small businesses to continue to pay bills, meet payroll and invest in improvements while they work to collect payments or complete projects in the development pipeline. Businesses, just like individuals must be cautious in the way credit is employed. But having the flexibility to be able to deal with changing circumstances is vital to keeping many businesses going.

## Should teens get credit cards?

We recommend waiting to apply for a credit card until your child can explain to you exactly how a credit card operates, has routine paychecks, and has a history of paying bills on time.

The Credit CARD Act of 2009 made sure that no credit card could be issued to an individual under the age of 21 unless one of the following qualifications were met.

- The account has a cosigner over the age of 21
- The individual can provide proof of independent income.

Here are our suggested methods for teenagers looking to open their first credit card.

### 1. Become an authorized user. [For 18 & Under]:

For responsible teens under 18, a parent or guardian can add the teen as an authorized user on their already open credit card. The card will be attached to the same account. This is a great option for beginners with no credit. Keep in mind that this spending affects the primary user of the account. They will be responsible for all charges. This can either hurt or help their credit score. On the positive side, being an authorized user starts the building of a credit history for your teen.

### 2. Cosign with someone trusted. [For 18 & Over]:

A financial institution often requests that those with no credit history, or those who are under 21, have someone they trust cosign on the account. The cosigner will need to be over the age of 21 and have an established credit history. The cosigner is vouching for the ability of the primary account holder to repay the bank. Which means that they share the responsibility for payment of the debts.

### 3. Open a secured credit card. [For 18 & Over]:

If you're able to provide proof of income, but you don't have enough credit history to qualify for a standard credit card – this type of card can help you to build a positive credit history. Unlike unsecured cards, an up-front deposit is required to be approved for a secured card. The amount of the deposit will determine the amount of credit you have access to. If you don't pay them back, they have your deposit money to cover your unpaid bills. Make sure you're able to save up enough funds to pay the opening deposit, as well as pay your bill on time each month.



## INVESTING

Smart investments can go a long way to helping improve financial futures, as can getting started in investing early.

### High School Concepts

Teens should be learning about the variety of investment options and tools available to them and those that are common in the workplace. Investment in stocks, bonds, and mutual funds can be complex and overwhelming. Mastery of a few key concepts can help to move your teen through this difficult landscape.

- **Regular investing & compounding drives wealth:** Slow and steady wins the race if the rate at which investment compounds is steady and frequent. By gradually increasing the value of an investment fund and letting interest compound, it is possible to build a nice safety net, major purchase down payment or retirement account.
- **Risk tolerance varies over time:** How much of a chance you are willing to take in your investing is related to a wide array of factors in your personal life and seldom remains static over time. It is important to monitor your investments and make sure that you are still comfortable with the risk profile, especially if you have significant changes in your life.

- **There are multiple ways to balance risk:** Asset allocation and diversification are two approaches to managing the amount of risk an individual has in his/her investments. Common to both is a need for individuals to not place too much of their investment money in any single stock or bond. By spreading investment money across a variety of financial products, overall risk drops.
- **Employer-supported investment options:** Employers often provide access to investment options as part of an overall benefits package. Some do investment matching. If this benefit is available, it should be taken as it improves your total compensation package and helps to prepare you for the future.

### Ideas You Can Use

- Run the investment numbers with your child, showing the impact of starting to invest a modest amount now. Then using the same dollar amounts, determine how much money will be lost if investment doesn't start for another 10 years. There are many online calculators that can help you to do these calculations.
- Do a similar comparison, showing the impact of capitalizing on a 2% employer match in contributions.





# **TAKE ACTION!**

AmeriChoice FCU provides members with a variety of Youth Accounts and tools specially designed to help provide your kids with the features, benefits and tools they need to be financially free.

## **The MyChoice Teen Club**

The My Choice Teen Club provides great options for kids between the ages of 13-17. Special accounts are only the beginning:

### ***Cash Rewards and Challenges***

Just like the punchcard for Dollar Dog members, AmeriChoice is investing in developing good saving habits with a cash incentive program. When kids make a deposit of \$25 or more into their MyChoice account, they earn a stamp. When they get 10 stamps, a \$10 reward is deposited into their account! (Limit of one cash bonus per calendar quarter).

Each month, we also have fun interactive challenges on our Instagram as well as fun giveaways only for MyChoice Members!

### ***Scholarships and Activities Loans***

AmeriChoice awards three \$250 scholarships to high school seniors who are MyChoice Teen Club Members each year! Details on the scholarship are posted each January on our website and social media pages.

We also offer loans to help pay for special student related needs, such as school activities, sports, dances, uniforms, a new laptop, anything your child might need for school.

## **The Money Matters Club**

Specifically designed for members age 18-26, the Money Matters Club is a comprehensive package of products and services that caters to-

the unique needs of first-time account holders and borrowers.

### ***Benefits of Money Matters***

- Free Checking Account, no minimum balance requirement and no monthly service fee.
- “Save the Change” Option helps to easily build savings by rounding debit card purchases to the nearest dollar and depositing the difference into a separate savings account.
- Free Cashback Rewards Debit Card earns up to 1% cash back on debit card purchases by enrolling in Card Cash and access to the CU\$ Network of 35,000 surcharge free ATMs nation-wide.
- Free 24/7 Access with Online and Mobile Banking.
- Low rate VISA credit card.
- Credit Boost Auto Loan for great auto loan rates.
- Great Student Loan Rates.
- Home Savers First Time Home Buyers Program provides a Special Savings account to save for a home purchase and earn savings off of closing costs with an AmeriChoice mortgage.

Talk to a representative at AmeriChoice to see what else we have in store to help prepare your kids for a bright financial future!

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