

Talking to teens about tough times

Worrying about economic conditions is not confined to the adult world.

Many psychologists believe that children, especially teenagers, are well aware that their parents are concerned and are feeling—if not necessarily expressing—their own anxiety. But parents are often reluctant to initiate discussions about family finances. It's a natural instinct for parents to want to shield their offspring from worry. Janet Bodnar, deputy editor at *Kiplinger's*, and a nationally recognized expert in the field of children's and family finances, believes that discussions with children are important. Although young children are apt just to need reassurance, she suggests that a talk with a teenager should be more in-depth.

Framing the discussion

The first step is to identify a time that is distraction free, when no one needs to be somewhere else shortly. Remind them, as they are instructed in movies and concerts, “to turn off all cell phones and pagers.”

A good way to begin is to find out to what extent teens know what is going on. For instance, do they understand what a recession is? Because they were too young during the recession that began in the early 2000s, a brief explanation of its effects—a falling stock market, job losses and a drop in consumer spending—will shed some light.

You don't want to give teens any false hopes, but you can explain that, although the economic challenges that we face may last for some time, the economy runs in cycles and will recover in time. Then ask them if they have questions.

From there, bring the macrocosm down to the microcosm, i.e., what does all of this mean to the family? Answer as straightforwardly as you can, Dr. Mary Gresham, an Atlanta psychologist who specializes in financial issues, explained in *Money* magazine recently. You don't have to share every detail of your finances, but you might talk about how the family is coping by cutting back on spending and reducing expenses.

Make it a learning experience

Although the main goal is to ease a teen's concerns, a discussion also can be what some describe as a “teachable moment.” For example, use the news about the rash of foreclosures

to stress the necessity of living within one's means and the consequences of failing to do so. Explaining about bankruptcy naturally leads to an understanding of why saving is important.

Find ways to actively involve teens in financial planning and money management. Allow them to help set family goals, small or large. Ask them to express their opinions about whether to "downsize" a vacation or to put off a major purchase for a time. Look together at the options for ways to save more for their college education.

Discussing the need to save to reach one's goals may be a good jumping-off point for introducing some investing basics. Because of the depth and breadth of the discussion, it may be a good idea to lay the groundwork with a few general concepts and then to set a time to sit down again to cover the subject in more detail.

Lessons on money management

A dialogue about how difficult things are right now also affords an opportunity to review (or introduce) the fundamentals of how to manage money when you cut the purse strings.

A good way to make teens more aware of the importance of following an organized regimen is by showing them the mechanics of bill paying; how to record checks and debit card transactions in a checkbook, and how to reconcile them against a monthly statement. You can apply the same principles if you bank online.

Then teens can apply what they have learned to their own finances. It's easy enough to deposit checks and make withdrawals for them, but it's better to open a joint bank account with each of your children so that they learn the practicalities. Parents often provide older teens with credit cards as they enter college, so they can establish their own credit. If you are planning to do so, set the ground rules about what they can charge and what they can't. Be sure that they understand the consequences of not paying off a balance in full each month and, especially, how expensive it is if they don't.

Finally, move on to the need to budget. With an understanding of current events and the effects that they can have on personal finances, teens who have a job or an allowance should now understand the need to spend their money wisely. Have them list their required expenses (say, filling the gas tank or paying a share of the car insurance) and the discretionary (eating out with friends, buying clothes). Ask them, then, how much that they will have left to save every month.

Lack of communication, or miscommunication, in times such as these can evoke feelings of anxiety in teens. An honest discussion, say the experts, can go a long way toward eliminating that feeling, rather than leaving teens worried about their family's finances. At the same time, you will have helped to instill healthy financial habits for a lifetime.

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Any developments occurring after January 1, 2010, are not reflected in this article.