



5 tips to stop your teen from going into debt

Teens spent around \$160 billion last year. Vera Gibbons of Kiplinger's Personal Finance magazine tells parents how to give kids financial guidance

Today show

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Today's teenager has expensive tastes — they always want the newest and the best of everything. In short, they're the perfect target for marketers. Last year, teens spent about \$160 billion dollars on clothing, music, technology, food and entertainment, according to marketing research. And one out of every 10 teens uses a credit card. By the time a student enters freshman year of college, their average debt on a personal credit card is about \$1,500. Vera Gibbons, contributing editor for Kiplinger's Personal Finance magazine, was invited on "Today" to tell parents how they can help their children control their spending.

Teens today have a have-now-pay-later attitude. Some grow out of it and grow up to be financially responsible adults, but that only happens if they get proper guidance from their parents. No parent wants to see her child drowning in debt — let alone filing for bankruptcy protection. Here are some tips to keep your teen from drowning in debt:

Educate them on money matters

Many schools don't have financial education programs, so that responsibility falls to parents. Teach them how to manage money rather than be managed by it. Show them how to balance a checkbook, establish a budget within their allowance, and use money and credit cards wisely. They don't learn this on their own. In fact, studies show that many kids have poor financial IQs.

Schedule family money meetings

Have meetings one or twice a year with your teen; keep them short and relevant. Kids can tell you what they would like to buy, and you can help them come up with a strategy for saving money for that purpose. The important thing here is to communicate!

Keep a watchful eye on spending

If your child has a part-time job and an allowance, that will help them learn the value of a dollar. (Fifty-four percent of teens get a regular allowance.) But as parents, you have to watch what your kids are spending their money on and encourage them to save. You can even open a joint savings account with them.

Stamp out bad spending habits

The reality is that 1/3 of teens fail to pay their bills in full each month. Many think that if they pay the minimum payment on credit cards, they're OK. And many think that if they bounce checks or are late in payments, it's not a big deal. What they need to know is that there are consequences for these types of behavior. If bad habits aren't stamped out early, they can lead to serious problems in the future. If your child has a bad credit, he may not be able to get certain jobs, rent an apartment, or buy a car.

Set a good financial example

At the very, very least, you need to be a role model. Americans, as a whole, carry about \$800 billion in credit card debt. And many are not taking advantage of 401(k)s to save for retirement. If you don't want your children to fall into the debt trap, set a good example for them. The truth is that parents who are bad with money usually have kids who are bad with money.

If your teen is already in financial trouble, should you bail them out? That's a tough question to answer. By bailing them out, you're enabling them, teaching them that debt is OK, and allowing them to feel these sense of entitlement. Odds are they'll just rack up those charges again. Plus, this can hurt you. Money you're using to bail out your kids should be money you're putting away for retirement. The best solution is to get to the root of your teen's money problems and help them come up with a game plan, even if it means giving them a low-interest loan or a no-interest loan that they must pay back.

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