

GUEST ESSAY

Help kids learn ABCs of personal finance

If you are the parent of a high school junior or senior, you need to add the following to your "to-do" list: Teach your child the basics of personal finance now before it's too late.

As the founder of the CARE Program, which makes bankruptcy professionals available to high schools and colleges in 35 states to alert students to the need to increase their financial IQ, I have seen too many young people ruin their lives because they lacked this knowledge.

Too many students are not learning about finances in their schools or at home. As a result, I speak daily with young people who are among the almost 10 percent of college students who drop out because of credit card debt, the 60 percent of students who say they never had a meaningful conversation with their parents about finances and the many graduates losing out on jobs, student loans, admissions to graduate school, apartments and car loans.

Even if you have more debt and less savings than you would like - because you were not taught this either - you must help your children, so they don't suffer these serious consequences. Believe me,



By
John Nirfo II

The Hon. John Nirfo II is a U.S. Bankruptcy Court judge for the Greater Rochester area.

their credit score may be more important to their futures than their academic transcripts.

Most young people do not understand the true cost of consumer credit with its high interest rates and hidden fees, the difference between needs, wants and wishes, delayed gratification, how to save for anticipated expenses and for when bad things happen to good people, and how to resist the pressures of our competitive consumption society.

Here's what you can do:

- First, open a joint checking and savings account. Have them commit to depositing into the savings account a portion of their income (perhaps 10 percent) from after-school and summer jobs, allowances and family gifts.

Initially, create an emergency fund (let's say, \$500). Then have them identify some things that they want, perhaps an iPod or concert tickets,

which they can buy only after they have saved enough. This will teach them delayed gratification, which is sadly lacking in today's society.

These lessons will show them how not to go into debt for things like the 43 percent of Americans who spend more than they make.

For their checking account, teach them to make an entry on their check register whenever they write a check, and how to balance the account when the monthly statement comes. That is also a good time to discuss the wisdom of the spending decisions they made that month and the difference between needs, wants and wishes.

- Second, get them a debit card without overdraft protection that is tied into their checking account. Teach them to make an entry on their check register whenever they use the card, so they will always know what is in the account.

Using their bank accounts and debit card responsibly will show them how to manage and budget their money and make good spending choices for the rest of their lives.

- Third, explain the dangers of credit cards.

Believe me, they don't even

realize that credit cards are not new money or more money, but are the most expensive debt they can incur. Discourage

them from having a credit card until they are a senior in college or have a full-time job.

Discuss with them that if they do get a credit card and don't pay the balance off on time every month, they may end up paying two or three times more for everything they charge, and it can take years to pay off the balances because of the high interest rates and hidden fees.

Explain the effect credit card abuse has on their credit score and that the best way to manage debt is to avoid it.

- Fourth, encourage them to get into the habit of using

cash.

People who use cash spend less. When McDonald's started allowing people to use credit

cards instead of cash, the average sale went from \$4.75 to \$7. Show them how to create a weekly cash budget for things like movies, haircuts, fast food, convenience store snacks and stops for specialty coffee. If something is under \$20 or you can eat it or drink it, pay cash for it.

Have them visit the CARE Program Web site at www.careprogram.us to learn important tips and for links to

other financial Web sites.

Learning about personal finances is more important than any single subject they will study in school.

“Most young people don't understand the true cost of consumer credit, with its high interest rates and hidden fees, the difference between needs, wants and wishes, delayed gratification. ...”

Greece Post • News

A Messenger Post Publication

Main office:

73 Buffalo St.
Canandaigua, N.Y. 14424
1-800-724-2099
Fax: (585) 394-1675

Carl D. Helbig

Publisher Ext. 215

Kathy Hammond

General Manager Ext. 223

Robert C. Matson

Executive Editor Ext. 262

Jerry Grundman

Advertising Director Ext. 244

Linda E. Feltman

Chief Financial Officer Ext. 330

Ron DeRooy

Pressroom Superintendent Ext. 286

Keith T. Witmer

Circulation Director Ext. 277

Lynn Brown

Marketing Manager Ext. 310

Greece Office:

1 Grove Street (Suite 101)
Pittsford, N.Y. 14534
Phone: (585) 381-3300

Fax: News: (585) 381-5325

Fax: Advertising: (585) 381-8618

Web: www.MPNnow.com

Jennifer Wedow

Assignment Editor Ext. 455

Colleen M. Farrell

Reporter Ext. 464

Management Team: