

For Parents

The
MONEY
WORLD

of **Your Young Modern**



The MONEY WORLD of

This publication (one of a series) is intended to help you as a parent to understand the place of money in your child's life. Since each family is different, you will have to adapt the information to fit your own situation and your financial circumstances.

Your child will be better equipped to solve many of the complex problems of his adult life if you have provided training in establishing sound financial habits.

Your Young Modern

Is it difficult for you to realize that your young modern will soon be graduating from High School? Do you find it difficult to believe your son or daughter is considering a career—a life's work? Does it seem only yesterday that you were giving money for an ice cream cone? Have you imagined how your son will react when he gives his son money? And do you know that this may be a reality much sooner than you anticipate?

These questions bring you face-to-face with another one. Have you prepared your young modern to take his place in the money world of today? Does he have the self-assurance that sound financial habits bring? Are you satisfied with the teaching and training you have provided? Does your young modern know that he is a part of our economic system? Does he know the role he plays as a consumer—a person who needs, wants, buys, and uses many things? He has another role to play in this system because he also is a producer—or will be soon. As a consumer, as a producer, and as a citizen he will have many important, difficult, and exciting decisions to make. His needs and wants in relation to available resources will enter into these decisions. A thorough understanding of and practice in money management will be one of the most important contributions you can make to your young person's happiness and welfare.

In general, the values of teaching money management to young people, expressed by authorities, seem to fall into three categories:

(1) It helps young people to set their own standards of living, to establish goals in relation to their values, and to make personal adjustments to their own groups. (Family goals and available resources may be limitations.)

(2) It makes it easier for young people to understand their own and their family's financial problems.

(3) It prepares them to use an intelligent approach in handling the more complex financial problems they will face in the future.

Give yourself a pat on the back if you are satisfied with the progress in teaching money management you have made up to this point. Your young modern has a good foundation on which to continue to build, for this is a continuing process, as you have discovered in your own financial world.

Important Considerations

What are the most important things for you and your young modern to consider at this point? This is dependent on what you have done in the past, naturally. But assume that you have succeeded in establishing satisfactory attitudes regarding the place of money in his life—that you have provided guidance and experiences in the actual handling of money—that you have helped him acquire a feeling of self-accomplishment. Your modern knows how to spend, save, earn, share his money to the degree that his age and capabilities justify.

At first glance you may think your job is finished—but there is more for your young modern to learn. There are many more experiences that await him.

Your young modern's future is just around the corner—his choice of a career—his preparation for marriage and the establishment of a home. What blueprint can you offer for effective and satisfactory money management now and in the future? There is no ready-made one that satisfies everybody; however, the sample blueprint

for him below may help your young person in developing his own. Discuss these points with him.

Blue Print for Money Management

Make Plans

Consider your goals—What is important to you? Thinking through what you want will be helpful in deciding how you use your income—both now and in the future. Do a little pencil pushing at this point. Indicate short term goals—less than a year—and long term goals—to be achieved within 3-5 years or longer.

Estimate Income—It's important to know what money you will have to work with when planning. This includes handouts, allowances, earnings, gifts, and savings.

Make a Spending Plan—Allocate the money you will have for your needs and wants.

Keep Records

Account for Income and Expenditures—Keep records of the money you will get and how you use it. If you haven't been keeping records or accounts, you may want to do so for a month before you make your plan. This will give you an idea of how you are spending your money.

Evaluate Your Plans and Records

Compare Plans and Records—Did you spend your money as you had planned? Making plans and keeping records aren't very valuable unless they are used and analyzed.

Some Specifics for Making Plans

In developing an individual blueprint for money management, questions and problem areas are bound to occur. Thinking through some of them may be helpful.

Goals and Values

What about *goals* in relation to *values*? You cannot discuss financial management with your young modern without revealing your own sense of values. It will help him tremendously if you make it a point to put into words what you give first place—what you value most. Don't be surprised if his values are not identical to yours. In fact, you may feel that it is important for him to be free to develop his own values—but he needs guidance and understanding. He needs to know why you make the choices that you do—for example, why you choose to drive a five-year-old car and put aside savings for adding a room to the house.

Sources of Income

When considering *estimated income*, what sources are available for your young person?

Allowances

Are you following the procedure used by many parents of giving a stated amount of money at a regular time to cover actual needs and allow an additional amount for personal desires? If so, you will gradually increase the allowance of your young modern so that by the time he finishes high school it will be as comprehensive as your financial situation permits.

The same rules apply as when you first started the allowance—namely: complete understanding as to what the allowance is to cover; delivery of the allowance in the form agreed upon at the appointed time; no withholding of the allowance as a disciplinary measure or an increase as a reward; and *no borrowing* by either parent.

Earnings

Many high school students seek employment—part-time and after school and during vacations. They like the extra money and the independence of earning rather than asking for money. They feel free to spend "their" money and avoid close supervision that sometimes accompanies "parents" money.

Impress upon your young modern the importance of arriving at priorities for his time and energy. Consider the case of the high school boy who worked at a filling station after school to support his car. He worked so late at night that he found it impossible to stay awake in classes. He had no time for study, for school events, or for other social opportunities. Encourage your young person to impose his own limits with your counsel, of course.

Some young people are able to develop successful business ventures as a result of their special interests. Does your young modern have a hobby that he might capitalize on? For example, if he is serious about selling a product or a service, encourage him to study the market possibilities—figure his actual costs—compare his prices with something of a similar nature—discuss advertising schemes. You can act as a consultant in considering the advantages and disadvantages of his venture. If he needs capital, advance money on strictly business terms or help him get a loan from a reputable source.

Outside employment can do more than provide extra money. It helps a young person develop confidence in his ability to get along in the business world. It helps him become acquainted with the employer-employee situation. It may also help with decisions about a future vocation.

Perhaps your young modern will want to work for pay at home or in the family business, carrying out responsibilities beyond those normally expected of him. In that case, insist on good work standards, whatever the undertaking. Provide additional training when necessary to qualify your worker for a particular job. See that he

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finishes the job he has begun—and on time. If a situation develops that makes it necessary for you to complete a project which he started, give him only a sum proportionate to the work he did.

If there are two or more young people in your family, you may have the problem of one earning outside the family and the other contributing to the work within the home. Or another problem area might be encountered if your young modern spends so much of his time earning he has no time to assume his fair share of home responsibilities. You will have to plan with him and work out a system that is fair and agreeable to all parties.

Gifts

Some of the income of your young modern will be in the form of gifts. He needs to understand that he should not count on gift money or expect it. He should not feel that relatives or friends—especially grandparents—are obligated to give him gifts. You can encourage him to show his appreciation of gift money by discussing the way it should be handled.

Even though you may feel he should deposit his gift money for his college education, remember that this is his money. You should not arbitrarily dispose of it for him even for a good cause, unless it was given to him for that purpose. Your young modern must be satisfied with the use made of his gift money, or the gift will lose its meaning for him.

Savings

Are you like many parents, asking, "Is the old-fashioned habit of thrift still valuable for our young people to learn?" Psychologists, economists, and educators are agreed that young people should be taught to save—not only to learn the value of thrift, but to gain a sense of responsibility. In a recent survey, prominent Americans strongly endorsed saving as an element in their personal confidence, peace of mind, self-discipline, character building, and independence.

For successful saving the young modern needs a *purpose*, a *plan*, and *resources*. It is not difficult to find a purpose or reason for saving. Most high school students look forward to having their own possessions—from cameras to cars. What are the aspirations of your young modern? Is he considering college? You may find that by encouraging him to set aside even a few dollars that this will help stimulate him to think about the future and thus increase his motivation. Urge your young modern to set some definite goals for himself.

Since systematic saving is considered the most effective way to save, discuss plans with your young modern. Suggest he adopt the practice of "paying himself first" so that he may be able to reach the goals he has set. This simply means you save first instead of last. Stress

the importance of regular saving—whether it is by the week or by the month.

If you have not already introduced the idea of *where* he can best put his savings, now is the time to do it. What does he know about banks, savings and loan associations, government bonds, investments, etc.? The two of you may want to investigate several possibilities before he makes a choice of where he will put his savings. In any case, have him ask these questions:

1. Will my money be safe?
2. Can I take money out of my savings whenever I want to?
3. How much will my savings earn for me?

Instill in the mind of your young modern the idea that when you save a dollar, you aren't surrendering your right to spend it. You are just delaying the use of it until you need it for some objective or goal.

Advance the theory of making money work for him. Acquaint him with such terms as interest and dividends. Investments can be of real concern to your young person, so welcome an opportunity to discuss them with him.

Another reason for advocating a plan for saving might be the need to prepare for emergencies. Young people have them—and often! Still another reason—to prepare for unforeseen opportunities. Maybe it's only a sudden chance to go on a weekend outing if he had a few dollars. Maybe it's something much bigger, like advanced education or training. Having or not having money when an opportunity arises may affect his future.

Stress the importance of *other* ways of saving. Show that by stretching money you really save it. Help your young person to see that by using some of his personal resources he can make his money go farther or make it available for other uses. An example might be using his skill to repair a piece of equipment rather than buying a new piece. Does he give proper care to his possessions so that they will last longer? Does he take advantage of community resources? Have him compare the cost of swimming at the Y which has a direct cost—or in a public swimming pool paid for through taxation—or in a privately owned one. This could be an interesting lesson in economics.

Steps in Making a Spending Plan

No two people spend money in exactly the same way. Each person has to decide how he will use his money to get the greatest satisfaction and happiness.

Help your young person to see that making a spending plan or a budget is just deciding the best way he can use his money to meet his needs and realize his goals. State it simply as deciding in advance how he wants to use his money.

How Does Your Young Modern Spend Money Now?

This information, along with his goals, should provide a good basis for his spending plan. If he doesn't know how he is spending his money, suggest that he keep records of his income and spending for a couple of weeks or more before he tries to make his own plan. Insist that he keep it day by day. Set up categories that will help both of you see at a glance where the money goes—for example, clothing, food, recreation, transportation, education, health, personal care, gifts, and contributions. A separate entry for savings should be made. Account books are available or one can be made.

After he has kept this record, examine it together. Did his outgo equal or exceed his income? Does he find his pattern of spending to be satisfactory? Do you think he spent too much on some items relative to others? Caution is the word here—remember values may differ. Discuss this frankly but with understanding. Will he have certain expenses in the future that didn't show up during this period?

Fortified with this information, your young modern should be ready to start formulating his spending plan for the future.

Start with Savings

Discourage your young modern from making this so high that it can't be continued with regularity. Saving isn't easy but if he can watch his savings grow and realize he is closer to some of his goals, he should be proud of his efforts. But be certain he is aware that what he saves for tomorrow will reduce what he can spend today.

Plan Spending for Needs and Wants

Have your young modern list the things he thinks are essential and their costs, and finally his wants—the things it would be nice to have. Perhaps he has certain items he has committed himself for—payments on purchases, dues, etc.—plan for these. And, don't overlook his plans for giving—to church or other community activities and for his own family members and friends.

Start out with a weekly or monthly plan rather than for the total year if this is new to you and your young modern. But remember, not all weeks or months in the year are alike. There are peak periods for certain expenses, so plan for these.

Controls Needed

Your young modern will need some system to help him implement his plan so that the actual money goes where he had scheduled it to go.

A savings account in the bank may be used for his long-range savings and even for collecting the money he wants a few months in the future. A small purse, box, envelope, or other device may serve for short run savings, provided it is kept in a safe place.

There are various methods for allocating spending for clothing, personal care, recreation, and other categories. Your young modern has decided how much of his regular allowance or earnings must be set aside for these. Some people find using envelopes for each item is helpful, at least to start. Others find a checking account the most convenient and accurate method. Trying different methods until a satisfactory one is found may be your best solution.

Check the Plan

A record of your young person's spending provides a means for checking the effectiveness of his plan. Records are valuable only if he uses them. They can serve as a basis for making or revising his plans. In addition, they will show where, for what, and how well he spent his money. For some people, record keeping can serve as a deterrent to foolish spending. It may help avoid impulse spending which is considered one of the big problems in good money management.

Evaluate Plans and Records

Encourage your young modern to compare his spending plans with his records. If he finds this difficult, perhaps the record form or the method he is using needs changing. Keep the forms for planning as well as spending simple and uniform.

In evaluating plans and records, perhaps asking your young person some of the following questions will help: Did you spend for some items you hadn't planned for?

Were you unable to get some of the things you wanted?

Did you spend excessively for some items?

Are you satisfied with your plans and your record keeping?

What new things should you plan for next time?

Future Money Management Suggestions

After your young modern has made a spending plan and decided how to control it, there are other things you will want to introduce in order to help him get the most from his money—for example, good "buymanship," and proper use of credit.

Good "Buymanship"

The same shopping skills apply regardless of age. If you are practicing good "buymanship," you need not be unduly concerned about your young modern. Of course, he may be influenced by the crowd more than you would like. And you should not underestimate the amount of pressure that is being exerted by advertising, ambitious sales persons, and big business. They realize that young people have money to spend and they want their share.

Relate some of your shopping experiences and endeavor to set a good example. You could suggest ideas such as:

Good shopping starts at home—make a list of needed items before you shop.

Decide what you really want—consider what you have on hand.

Get as much information as possible concerning the product.

Determine the quality desired—identify features you want.

Consider when to buy—find convenient times, know the seasons, evaluate sales.

Know where to buy—know your dealer, check services offered, count miles and time.

Know how to buy—plan ahead, shop and compare, use quality guides, watch details, etc.

Allow adequate time for shopping.

Establish your limits—decide how much you can spend before you leave home.

Refer to Circular 749, "Sharpen Your Shopping Skills," for more detailed information.

Proper Use of Credit

If your young modern is going to use credit, it will be necessary for him to study carefully the plans available before deciding when and under what conditions it will work to his advantage. You may need a refresher course before you feel qualified to offer advice and training.

Let's start with a simple explanation of credit. When you decide to buy something for your personal or family use and do not have the money to pay for it immediately, you may say:

"We'll charge it"

"We'll buy it on time"

"We'll finance it"

"We'll use a payment plan"

"We'll get it now and pay for it later"

This means you'll use a financing or credit plan. This type of credit is called consumer credit because it is used by individuals or families to buy things for use in their daily living.

Credit can work to your advantage or disadvantage, depending on how wisely you use it. You will need to realize that credit is based on trust between the debtor (or borrower) and creditor (the lender). Certain promises or guarantees are made either orally or in writing in the agreement between the two parties. The extent to which these promises are kept will have a definite effect on your present and future credit rating and upon your reputation for being a financially responsible person.

Reasons for using credit

It is convenient.

You may receive better service.

It helps you establish a credit rating.

A credit plan makes it possible to use the article while paying for it.

Credit can help you to meet financial emergencies.

Credit may make it possible for you to take advantage of a financial opportunity, such as a sale.

Disadvantages of using credit

It may limit the opportunities to shop around for the best buy.

It usually costs more than paying cash.

It may tempt you to over-buy.

You may get into financial difficulties if you should lose your job, become ill or have other unexpected conditions develop.

To guide Yourself—

Make sure the advantages outweigh the disadvantages if you are going to use charge accounts or any other form of credit.

Follow the rules which will help you to establish and maintain a good credit rating.

Learn about the various kinds of credit, and how to compare costs so that you can "shop for credit"—get it at the lowest possible cost.

Guard your signature. Understand the terms of any credit contract you sign.

You Are On Your Own

As you pursue your line of action, re-examine your purposes for teaching your young modern money management. Is it to guide him in handling money wisely by weighing values so he can make intelligent choices? Remember these choices will be as different as the number of personalities involved.

Your young modern needs your assistance. Are you prepared to give it?

OTHER PUBLICATIONS IN MONEY WORLD SERIES

Available from your County University of Missouri Extension Center or the Mailing Room, 15 Waters, University of Missouri, Columbia.

The Money World of Your Pre-Schooler (3 to 5 years)

The Money World of Your Young Student (6 to 9 years)

The Money World of Your Pre-Teen (10-12 years)

The Money World of Your Young Teen-Ager (Jr. High School)

The Money World of Your Young Modern (Sr. High School)

The Money World as Seen by a Pre-Teen

The Money World as Seen by a Young Teen-Ager

The Money World as Seen by a Young Modern



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