Teaching teens how to gain financial freedom

by Bend_Weekly_News_Sources

--Seven Tips You Can Use Now To Secure Financial Future For Your Children--

In an age when foreclosures are at a record pace, credit card debt is hitting new highs and personal savings are at an all time low, millions of American families are worried about their childrenâ€™s future. While theyâ€™d like to teach their kids about finances, the sad truth is many parents are not skilled enough with their own money to offer solid guidance. And financial literacy - a skill young people desperately need - isnâ€™t taught in high school.

Thatâ€™s where Vince Shorb comes in. A self-made millionaire at age 32 and creator of the interactive multi-media course â€œFinancially Free by 30,â€• Shorb is a young adult financial literacy advocate and expert. His goal is to teach teens and young adults how to avoid the ever-growing pitfalls of racking up debt by empowering them with the knowledge to become financially self-sufficient.

â€œPolls show that students, ages 15-21, feel unprepared to face the complex world of the 21st century,â€• says Shorb. â€œMost education efforts are focused on encouraging high school students to enroll in college instead of how to manage their future finances. The sad part is that all that misdirected preparation results in a third of these students ending up with a bachelorâ€™s degree and the average college grad having over $20,000 in debt.â€•

Shorb offers seven basic tips that you can share with your children in order to start them off on the path to financial freedom:

1. Learn to distinguish needs vs. wants. To counter the lifelong effects of advertising it is important you distinguish the difference between a need and want. A need is something you must have (like food, shelter and clothing). A want is something you would like to have thatâ€™s not a necessity such as designer clothes or an iPod. When you have enough savings to cover your needs, then you can focus on your wants.

2. Ditch costly everyday habits. A four-dollar coffee five days a week equals more than $1,000 a year. Suggest they write down their everyday expenses, what Shorb calls the â€˜money diaryâ€™ exercise. Itâ€™s a great way to show them how even the smallest expenditure can add up!

3. Develop a savings plan. Help your child compare what they make in a month verses how much they spend in a month. Then using this information, construct a monthly budget to help them start saving!   Shorb says with simple investments and saving $250 a month they could be a millionaire by age 40.

4. Pay yourself first. With the average American spending beyond their means, teach your child to be a money rebel and not do what the average person is doing. It will seem tough to see the benefit of this at first, but if they automatically deposit a percentage of their paycheck into a savings account, they wonâ€™t miss it! As you know, a savings plan is the cornerstone for financial freedom.

5. Get Your Accounts in Order! At a bare minimum, young people should open 1 checking account and 2 savings accounts. Of the two savings accounts, one should be used for long term planning and the other for their fun money â€“ things they want to do now. Shorb finds that young people that are able to set up and adequately manage these accounts gain the ability to not only save more but also learn some investment basics.

6. Start investing now. It is never too early to benefit from investments! Young people can make simple investments having little to no knowledge of the stock markets. Shorb says the S&P 500 Index could make a sound investment for young investors. It gives them the opportunity to own a little piece of 500 different companies. This will show them that investing is easy while lowering the risk and delivering consistent returns!

7. Write out your lifestyle goals. Young people are not motivated by money itâ€™s what money allows them to do. Places they want to travel, toys they want to have and how they can make a positive impact in the worldâ€¦Find out the type of lifestyle your child wants to live and help them find out what they need to achieve them. Have them be as specific as possible, including how much money they need to make every month to meet their savings and lifestyle goals.

There is nothing worse than seeing your child in their mid-twenties, toiling in more debt than you ever did at that age. By taking a proactive approach as a parent, you can have an instrumental role in providing a brighter future for your child. Shorb believes that if you can pass the above financial tips onto your children, and show them how to apply them to their everyday life, they will not only be able to start building a financially secure future, but escape shackles of life long debt.

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