

Financial Willpower

*Taming the Teen
Who Wants It All Right Now*



Introduction: Checks and Balances

For most Americans, bank checks are much a part of the financial landscape as paper money, coins, and inconvenient banking hours. One of our most venerable cash equivalents, checks are legal tender for just about everything: utility bills, groceries, dry cleaning, candy store sprees, you name it. Even better, they're quick, convenient, and secure, and they weigh a whole lot less than a bag of nickels.

Whose Idea Was This Check Thing, Anyway?

Checks were invented by the Dutch about 400 years ago, shortly after most people decided it was safer to store extra cash in those newfangled repositories called "banks" than in their mattresses. For the sake of convenience, bankers soon started letting customers write their creditors little notes called "cash letters." When presented at the bank, these could be redeemed for money from the customer's account.

It took another 150 years before bankers decided that handwritten cash letters, now called "checks" for reasons lost to history, were just too annoying from a records-keeping perspective. So they started requiring the use of preprinted checks, and it's pretty much been that way since.

In America, checks didn't pass into common usage until the 1950s. Nothing much has changed between then and now -- except for the fact that most people realize today that they don't have to buy their printed checks from their banks. Financial institutions had a nice little scheme going with that until the Internet Age burst their bubble.

What We're Trying to Do Here

While we could happily spend page after page elaborating on the history and evolution of checks, the purpose of this e-book is a bit more concrete. You see, we think it's a shame that so many young people don't have the slightest idea about how to handle a checking account. This forces them to make do with cash almost exclusively -- and while that may have its positive aspects, it also limits their financial potential.

This guide offers a simple, step-by-step way for you to teach your teenager how to use a checking account, as a means of encouraging fiscal responsibility. This is one of the little ways that you can help prepare your teen for adulthood...if only so they don't boomerang back on you later in life. Understanding the rigors of personal finance in advance will ease them into one of the most important aspects of any adult's life, and prevent them from being shocked and overwhelmed by the reality of it all. It'll also help them learn how to respect money in all its forms.

If you start working on this process today, you can get a head start toward taming that teen who, like a two-year-old, wants it all right now. It's never too early; even tweens and younger kids can benefit from these concepts.

Chapter 1: A Step Toward Adulthood

By the time your child becomes a teenager, it's imperative that they know the value of money and the realities of handling a budget. Ideally, you should start teaching them the basics of personal finance about the time they begin to understand the concept, and certainly by the time they start receiving an allowance.

One way to set them on the road to financial stability is by helping them open up and operate a real, live checking account. Not only will doing so appeal to them as a sign of maturity, it'll teach them a clever way to handle their finances that goes beyond physical currency and coinage. Done properly, it encourages accountability in a hands-on manner, and can be a natural extension of your previous fiscal efforts. Most teenagers do have some sort of part time job and really should be using a bank as a means of depositing their paychecks – not just cashing them at the local store.

Getting Started

Many banks offer low-balance accounts for teenagers and children that they can start with as little as \$10-20. Even if that's not the case, the minimum balance for a new checking account is usually just \$100, which isn't out of reach for most families. Instead of buying your kid a new GameBoy or a cell phone, break with tradition and open up a bank account for them. They'll have almost as much fun playing with it, and it'll be a treasured step toward adulthood (for you and them both).

You'll probably have to co-sign for the account, which your kid won't be happy about, but that will give you an ever better reason to keep an eye on their expenditures and show them how to do things right. It'll also let you rein in a teen's natural tendency to overdo things. It's better for them to learn this now, rather than five or ten years from now; and if you don't teach them, who will? Certainly not the credit card companies or Wall Street -- all they'll do is teach your kids, by example, how to reach out to Big Daddy for a bailout.

As an incentive to get them to work with you, offer to give your teen occasional bonuses if they do a good job of handling their account. This is especially easy if you take advantage of online banking features, since most banks make it simple to transfer money from one associated account to another. Once you have this feature set up (which shouldn't take long), it's a snap to give your teen their allowance that way, too.

The Details

Once the account is up and running, your first task is to help your teenager understand what a check is. At its most basic, a check is an IOU -- a promise to pay the recipient funds from your account whenever that check is presented to your bank. This is something that we forget at our peril, because the whole process assumes that you have money in the bank to cover the promises you're making with those checks.

You'll need to drive home to your teen exactly what will happen if they bounce a check, even accidentally. Not only will the creditor be unamused and charge them a fee to reprocess it, they'll almost certainly be hit with a nasty bank fee as well (banks have no

sense of humor, either). Point out that if they roll their eyes and blow it off anyway, as young people are wont to do, that they'll have to deal with negative credit bureau scoring that can haunt them for years -- and possibly even criminal charges, if the check bounces high enough.

Once you've gotten them a little scared, show them just how easy it is to track their expenditures in the checkbook ledger. Admit that we all forget to write down a transaction occasionally, but emphasize how important it is to at least make the effort. Then demonstrate how to balance a checkbook, and make sure they do so regularly -- even if you have to sit down and review their bank statements with them every month. Your kid may not appreciate the breach of privacy at first, but who's the parent here, you or them? Besides, if you're a co-signer on the account, you certainly need to see how it's being handled -- as it affects your credit reporting as well.

It'll take a little effort to keep your kids on the financial straight-and-narrow; that's a given. But if you simply don't have the time, hey, we understand. It's a busy world. Just be prepared to accept at least some of the blame for your teen's failure to launch, and the financial ramifications that can result: bad credit, high interest rates, bankruptcy, and being forced to pay cash for everything. If you think that's not your problem, you'll think again when they come around asking for an interest-free "loan" after they can't get the credit they need to buy a house, finance a business, or pay for grad school. Or better still, they may just have to move back in with you -- hey it happens more often these days than ever.

Chapter 2: Why Checks?

Nowadays, there are more ways to pay for the things we want than ever before in history. There's always cold, hard cash, but it's more common and just as easy to use credit cards, debit cards, and electronic funds transfers (EFTs) to pay for our real-world purchases. For online venues, you can also use payment services like PayPal and eBillMe. So why bother with establishing a checking account for your teen?

Aside from the fact that a checking account offers a simple and effective way to teach your teen about their finances, checks are convenient and easy to handle; it doesn't take a lot of effort to carry a checkbook. And since checks have been one of our most common payment methods for more than 50 years, they're accepted just about everywhere. Plus, nothing beats checks for paying bills by mail. Best of all, it's easy to keep checking records, especially since you can purchase those handy duplicate checks that have the carbon copy.

Arguably, the best thing about using checks is that they offer a sense of security. They're easy to cancel and easy to trace, and common security features like watermarks, micro-printing, controlled paper stock, and chemically reactive paper discourage all but the most determined and tech-savvy criminals from passing fakes.

While other means of handling money can be convenient and secure, none of them offer all the benefits of personal bank checks. Take cash, for example: you can't safely mail it to someone. Anyone can use cash if you lose it, too, and it's easier to steal -- ever tried to stop payment on a \$100 bill? More to the point, it's easier to spend cash foolishly.

Credit is a whole different can of worms, and one we suggest that you not open with a teenager. First of all, not all credit cards are accepted everywhere. Second, it's too easy to rack up high balances on a credit card, even if there's a set limit. Worse, once your teen becomes dependant on credit cards, they'll have to deal with that unending cycle of revolving balances, interest rates, and late fees.

Debit cards are less of a problem than cash or credit, because they're connected straight to a bank account and simply won't let you keep buying if you run out of money. However, they have their own issues. Even today, they're not universally accepted, and sometimes fees apply. Worse, the intangibility of EFT and debit transactions makes them easy to forget, which could lead to a certain level of inconvenience if they're not immediately recorded.

Conclusions

When it comes to personal finances, you need to get your children started young. We can't emphasize that point too often: the younger your children are when you start teaching them fiscal responsibility, the better. Sure, a kid should have a chance to be a kid; but adulthood is hard enough, and there's no reason to let a young person get off to a rocky financial start.

Opening a checking account with your child is an excellent way to avoid that. Not only are they secure and convenient, checks provide a good compromise between the various payment methods now available to the modern consumer. The checkbook ledger, and the need to balance it regularly, provides a simple, graphic way to teach a teen how to track their spending -- and introduces them to the astonishing fact that, yes, they actually *will* have a need for that math they're learning in school.

The fact that you'll need to be a co-signer on the account can make things a bit easier on you, too. You'll be able to monitor your teen's spending habits on a daily basis if you think that's necessary, and can quickly put the brakes on any excesses. You've also got the incentive of contributing to the account when they they're doing a good job. Nothing makes a person sit up and take notice quite like a financial pat on the back.

One thing you can do to make the bitter pill of your oversight easier to swallow is to buy your teen their first box of checks. Purchasing later boxes, of course, should be part of the proof of their fiscal responsibility. (By then they ought to have things well in hand).

While the choice of your teen's check design should be theirs, in case you were wondering, the themes that resonate most with today's teens include:

- Cartoons
- Animals and Pets
- Movies & TV
- Disney
- Sports
- Colleges
- Green living (including recycled checks)
- Fairies

Digital photo options, which allow the customer to create a unique check design based on one of their own photos, are also popular.

A final note: while teaching your teen fiscal responsibility by means of a checking account may be a parental duty, it doesn't have to be a chore. Be creative; try to work with them to make it simple and fun. After all, your time with your kids is limited -- so make it quality time, in more ways than one.