

# 8 Important Things

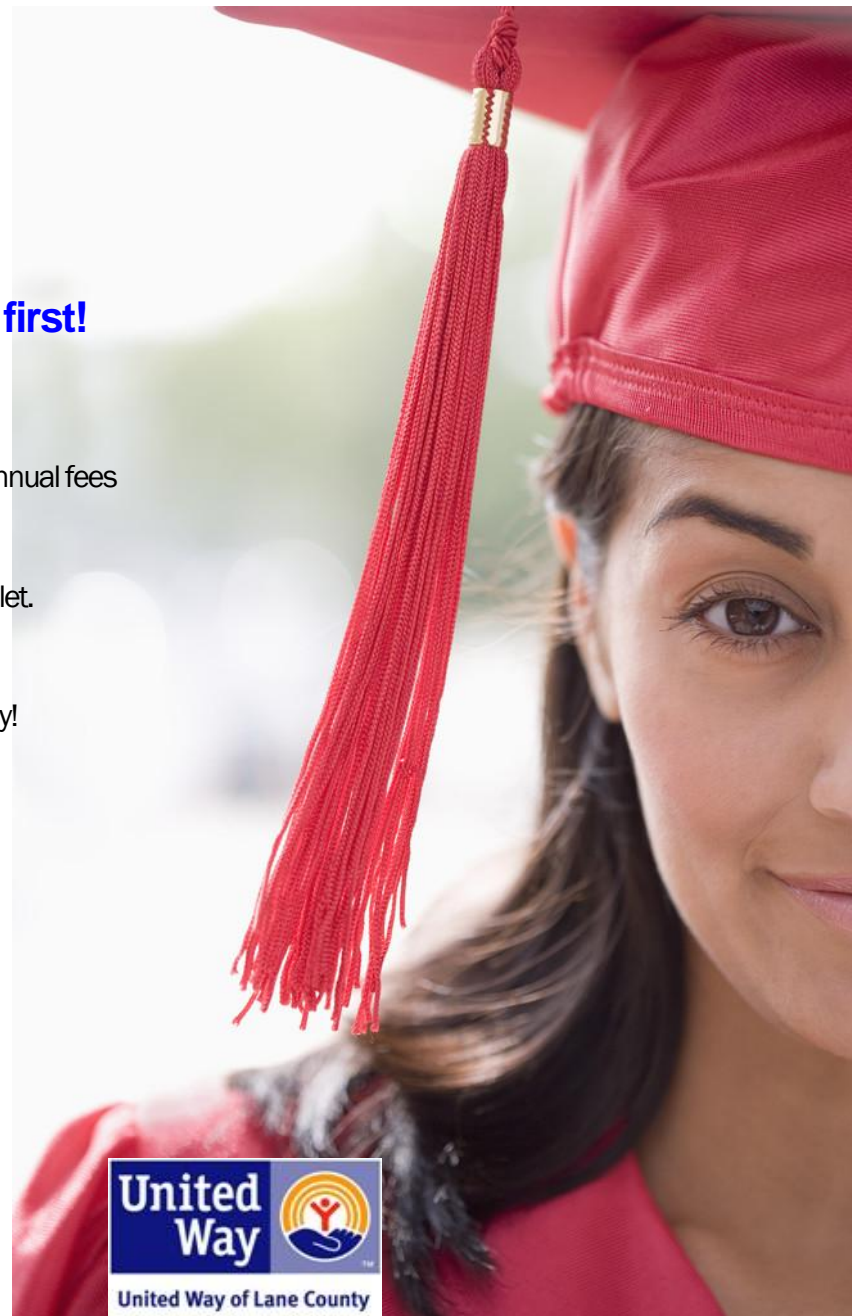
To teach your teens about finances  
*before* they leave for college  
or live independently.

Brought to you by the Youth Financial Literacy Work Group, United Way of Lane County, Oregon  
and participating financial institutions.

- 1 Manage and balance a checking account.**  
How to write a check, maintain a check register, balance your monthly statement.
- 2 Learn to use a debit card.**  
It's not a credit card.
- 3 Understand fees.**  
Overdraft, point of sale, ATM fees
- 4 Create a budget.**  
Set goals, build a financial safety net.
- 5 Save and invest – pay yourself first!**  
Stay disciplined, spend less.
- 6 Use credit cards wisely.**  
Purchases vs cash advances, interest rates, annual fees
- 7 Protect your credit rating.**  
Avoid theft of personal records, lost/stolen wallet.
- 8 Safeguard your identity.**  
Phishing, vishing – fraudsters want *your* money!

For resources you can use to  
teach your children about managing  
their personal finances visit

[www.211Lane.org](http://www.211Lane.org)



# 8 Important Things

To teach your teens about finances  
*before* they leave for college  
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## **1. Manage and balance a checking account.**

You can use a checking account for managing day-to-day finances. Take cash or check made out to the bank or credit union to open an account and make your first deposit. Remember to take your Social Security number and two or more forms of picture ID. You'll receive a box of checks in the mail, preprinted with name and address, along with a check register to record your transactions. You'll receive monthly statements.

Get into the habit of recording each check you write in your register, along with deposits and withdrawals. (You can also record debit card use in your check register.) Write checks in ink. Store account information and checks in a safe place. It's your responsibility to keep track of your balance and make sure you have enough money to cover the checks you write.

The consequences of misusing a checking account can be far greater than paying fees. If the bank decides you have an excessive number of overdrafts, it may close your checking account. This could be reported to the credit bureaus. A history of checking account abuse can prevent you from obtaining another checking account and damage your credit history. And intentionally writing checks without enough funds to cover them is considered check fraud—a serious crime.

## **2. Learn to use a debit card. Manage it like a check.**

Sometimes called "check cards," debit cards have credit card logos on them but are very different. Debit cards act like a check, deducting the amount of your purchase from your checking account. There's usually no interest charged. You'll be asked if you want one when you open your checking account.

You'll receive the card in the mail. Your personal identification number (PIN) will come in a separate letter. On the back of your debit card is a black magnetic strip. This is where the card stores your name, account number, PIN, and financial limits. If you damage the strip, your card may not work anymore.

Debit cards can be used in an Automatic Teller Machine to withdraw cash. They can be used in a store to make a purchase. You can even get cash back with many debit card transactions—a handy way of making a withdrawal along with a purchase. Accurate record keeping is key. Whether you use the card to deposit, withdraw, or

This information comes, in part, from the National Endowment for Financial Education *High School Financial Planning Program*. For a copy of the NEFE Student Guide, or to learn more about NEFE, visit <http://hsfpp.nefe.org>. For additional resources, contact any one of the financial institutions shown or visit their websites.

make purchases, make sure you record what the transaction was and how much it was for.

Your responsibilities with a debit card are virtually identical to those of a checking account. If your card is lost or stolen, report it immediately. Even without your PIN, someone can steal and use your debit card. If you report it missing within two business days of noticing it's gone, you'll only be responsible for up to \$50 of unauthorized charges. Wait longer and you could lose more. Wait more than 60 days to report and you could be liable for the entire amount.

### 3. Understand fees.

Banks and credit unions charge fees for providing services. It's your responsibility to understand fees and when they are applied to the services you use. Some savings and checking accounts have fees if minimum monthly balances are not maintained or on use of checks in excess of a certain number provided free with the account. You may pay a fee if you exceed a certain number of withdrawals from a savings account.

You will be charged to use an Automatic Teller Machine, unless you use your financial institution's own machines or those in a network to which your bank or credit union belongs. If a check deposited into your account is returned for insufficient funds, you will pay a fee. If you purchase your own checks from a commercial printer, you pay a fee. If you write a check but don't have enough money in your account to cover it, you pay a fee.

If you ask your financial institution to stop payment on a check, you'll pay a fee. If you go over your spending limit, your credit card company will charge you a fee. Many credit card companies charge annual fees for the use of their cards. If you fail to make your loan payment on time (within the grace period), you will pay a late fee.

### 4. Create a budget.

A spending plan or budget is a plan for managing your money during a given period of time. It's about making smart choices so you can get the stuff you really want. It'll help you find more money for the important things. Keeping a spending log can tell you how you are currently spending your money.

- **Step one:** identify all your income—any money you receive. Note: money from a job will have several deductions taken out of it before you receive it. The amount after these deductions is called net income.
- **Step two:** identify expenses. You may have fixed expenses, variable ones, and periodic or occasional expenses. Savings, or paying yourself first, is an important part of your expenses.

- **Step three:** Use the information you've collected to build a budget. Set your financial goals. Are you saving for something special? Subtract total expenses from total income. If the number is negative, go back and adjust. If it's positive, think about adding to your savings.

Are you set up to meet your goals? Budgets are not meant to be written in stone. Things change. Update your budget as needed to keep pace with your changing income, goals and spending habits.

## **5. Save and invest – pay yourself first!**

Right now, your biggest financial goal could be a new car. Later, you might want to think about saving for your own home or graduate school. Then there's the huge financial goal of saving for retirement. Saving is what people usually do to meet short term goals. Investing means setting money aside for longer-term goals.

Saving and investing for your financial goals makes you less tempted to spend your money! It's not just sitting there burning a hole in your pocket. The best reason to invest is that your money is actually making money for you. Any interest or investment gains you earn get you that much closer to your financial goals.

There are lots of free resources available from which to learn the basics of saving and investing. Also, most financial institutions have staff who are certified investment planners. You can make an appointment for a free consultation with one of these professionals. They'll talk with you about your goals and about the options available for investing in yourself.

## **6. Use credit cards wisely.**

Good credit can be crucial to achieving your financial goals. While a debit card can give you access to your own money, a credit card is a separate supply of money. When you use a credit card, you are taking a loan from the company that issued the card. Your purchases are totaled and sent to you in a monthly bill. In most cases, if you pay your bill in full and on time, you'll owe no interest.

Your current bank or credit union and retail stores are the best place to get your first credit card. You'll have to provide some basic information on an application, including employer and annual income. Some stores will make a decision on the spot. Banks and credit unions may make you wait a couple days to learn if your application is approved.

Every credit card has a credit limit—the maximum amount you can charge on the card at any one time. Be sure to sign the back of the card. If the card allows you to withdraw cash, you'll receive a PIN in the mail. You'll pay interest immediately on credit-card cash withdrawals—sometimes a higher rate of interest than for purchases.

When you make a purchase, your card is swiped through an electronic terminal. The charge is added to your account, reducing the available credit left on your card. You are given a receipt for your purchase. Use the receipt to reconcile your monthly statement.

When you get your monthly bill, check to see that your previous month's payment has been credited to your account. Review all listed charges for accuracy. If you have a balance from the previous month, your bill will display a finance charge added to your balance. Any payment is then deducted from the total balance.

Your credit card company won't necessarily deny a charge that puts you over your credit limit. It may accept it and then charge you an over-the-limit fee.

## **7. Protect your credit rating.**

A credit report tracks your success in managing money. Your financial habits can carry over and affect your ability to get credit as an adult. That's because a credit history follows you for the rest of your life. A credit report is a record of your personal financial transactions. Lenders look at it to see how well you've managed credit in the past.

A credit score is a number that reflects your creditworthiness. To build a good credit history always pay your bills on time, make regular deposits into a personal savings account, be choosy about applying for credit cards and loans, and regularly pay off your credit cards so that your ability to do so is reflected in your record.

Credit reporting agencies, known as credit bureaus, sell credit report information to businesses interested in finding out your credit worthiness. Lenders, apartment owners, cell phone companies, even employers look at your credit history to evaluate you. Building a good credit history can smooth the way in many areas of financial life.

## **8. Safeguard your identity.**

Identity theft occurs when someone uses your name, Social Security number, credit card number, or other personal information without your permission. It can cause big trouble for you if your personal information ends up being used for identity theft.

Thieves can open credit card accounts in your name, write bad checks on the account, forge your signature on blank checks authorizing electronic transfers that drain money from your accounts, file for bankruptcy in your name, buy a car by taking out an auto loan in your name, give your name to police during an arrest, and change the billing address on your credit card account. And that's just a start!

Identity theft has become big business all around the world. **Phishing** is an e-mail or pop-up message that looks like it's from your financial institution. It will often say there's some type of "problem" with your account, and ask you to supply your private account information. **Vishing** is the same thing via telephone. Don't do it! Never give your social security or credit card numbers to anyone, via e-mail or over the phone, unless you initiated the contact.

Don't leave your wallet or credit card statements lying around. Sign new credit cards as soon as you receive them. Always keep PINs completely confidential. Review monthly statements carefully. Sign up for electronic statements so that financial and credit card statements and bills are not sitting in your mail box. Install and use firewall, anti-virus, and anti-spyware software on your computer and learn how to keep them up to date. If you buy something on the internet, check that the page is secure before entering your credit card number.

If the worst happens and your wallet is stolen, place a fraud alert on your credit report. Call the toll-free fraud number at any one of the three nationwide credit reporting bureaus--Equifax, Experian and TransUnion--and tell them you suspect you have been or are about to become the victim of identity theft. You'll have to provide proof of your identity. One call does it all. For the next 90 days, businesses will see the alert and must verify your identity before issuing credit in your name.

If you do find that your information has been misused, immediately close any compromised accounts and file a police report. This is proof of the report and may be important to have later. You should also file a complaint at [www.ftc.gov/idtheft](http://www.ftc.gov/idtheft). This can help law enforcement officials across the country in their identity theft investigations.