Adolescents and Money Management

What are the keys to teaching adolescents how to manage money?

Cognitive Development

According to Swiss psychologist Jean Piaget, children should be taught information when they are developmentally ready to receive it. He believed that each stage of cognitive development builds upon the stage before it. Adolescents are developmentally ready to understand abstract thinking and consider "what might be" instead of only "what is." Their interests are moving beyond the family into community and global concerns. Adolescents are ready to learn money management through:

✶ Financial Investing

- Shares of real stock as birthday gift
- Simplified money newsletters like *The Bowser Report* or *The Money Paper*

✶ Global Concepts

- International monies
- Stamp exchanges

✶ Generational Financial Planning

Involves the integration of financial planning between different generations

- Saving for college
- Planning for retirement
- Managing nursing care

✶ Taxes

- Sales tax
- Income tax forms

✶ Credit

- Credit Cards
- Debit/Cash Cards

✶ Loans…pros and cons

- Car
- College

Social Cognitive Learning

Adolescents learn by observing others. If they think that consequences for the observed behavior are good, the adolescent may imitate that same behavior. If they see bad results, they may not imitate.

✶ Observe Parents

- Make a budget
- Decide how to manage money
- Use credit
- Save money
- Donate to charity

✶ Observe Peers…learn from others' mistakes/triumphs

- Spend money
- Earn money

Sources:

Berg, A. G. (1985). *Your kids, your money: Financial survival manual for parents*. Englewood Cliffs, NJ: Prentice-Hall, Inc.

Feldman, R. S. (2003). *Development across the life span* (3rd ed.). Upper Saddle River, NJ: Prentice-Hall.