

A Financial Conversation You Must Have with Kids Before College

Money is a topic that is rarely discussed but as a parent you know there is a financial conversation you must have with kids before college. We know that older generations considered it to be hush-hush, but that needs to change. It is essential that we discuss money with our kids so they can become financially responsible. Even if they are rolling their eyes, they are paying attention.

So, let's say your child is about to leave for college. How can you have the "financial conversation," especially if you are not comfortable discussing money. Or, perhaps, you don't have the greatest relationship with your teenager (after all, they are a teenager).

Tips for that important financial conversation

1. Talk about the importance of managing money wisely when they are in college. Explain that this is great practice for when they finish school and are forced to "stretch the dollars" when they become independent.
2. Discuss how much college is costing, how you are paying for it, and any details regarding financial aid or college loans. This information should not be a secret.
3. Discuss a monthly budget. If they are on a food plan, the budget can be smaller than if they must buy their meals. Set a figure, knowing you can increase or decrease it as necessary after a few months. Explain that they will not be able to afford daily \$4 lattes, or pizza delivery several nights a week. Designer clothing is out of the question. The goal is not to force them to be frugal, but it is to help them learn how to manage a budget.
4. Beware of credit cards. Many banks offer credit cards and debit cards with pre-set limits. These have been termed "credit cards with training wheels," and they work great. Discuss the rules. In our family, our college-age daughters had their monthly budget added to their debit card balance by the first of each month. Their credit cards were only to be used for large expenses with our prior approval. This included airplane flights, winter coats, and perhaps a special concert once a semester. The debit card and credit card had low limits because we didn't want any surprises.
5. Encourage your child to start a savings program. If they have a part-time job or a summer job, encourage them to save 15% of every paycheck. This can go into a bank account, or better yet, into a Roth IRA. The Roth IRA will forever be tax-free, and it provides access to

the contributions without penalties if withdrawals are needed.

6. Coach your college student on saying “no.” Often, students don’t know how to resist peer pressure, and they may have a friend with an unlimited budget or access to “Dad’s credit card.” Teach them terms like “I’m sorry, but I really can’t afford this.” Or, “Thanks for thinking of me, but right now I don’t have the cash. Let’s plan to do something else.”

We also need to discuss some non-financial topics before they head off to college. Below are four tips ideas.

1. Be grateful. Recognize that your parents, grandparents, teachers, etc. probably all played a large role in preparing you for college and giving you the opportunity to get a college degree. Say thank you to the important people in your life. Focus on gratitude.
2. Communicate with your parents, grandparents, and siblings while you are away. They will be thrilled to hear from you. This is your opportunity to start moving out of the teenage years and into adulthood, and nurturing your relationships with family members will make you happier.
3. Make new friends. Be aware that some of your friends in college may be friends for life. Surround yourself with positive, fun, honest people.
4. Study hard, and plan on finishing your undergraduate degree in four years. Taking five years is an enormous waste of money. Select your coursework carefully, take a full load of classes, and get good grades. You will be proud of your accomplishments (and rightly so!).

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