

Money Unscripted: Teaching teens smart money habits

[00:00:00.09] [MUSIC PLAYING] Oh, no. They care about money. They care about spending my money. I want them to care about their own money.

[00:00:05.40] Do you really think you're going to get a teenager to sit down and pay attention to financial lessons?

[00:00:10.49] Five lessons.

[00:00:11.86] Effective tax rate.

[00:00:13.22] Five hours.

[00:00:14.49] Pay yourself first.

[00:00:15.83] These are building blocks that you need to know and that you can take with you.

[00:00:19.23] I spend more than I make, frequently. [LAUGHS]

[00:00:26.16] Welcome to Money Unscripted, a new podcast from Fidelity. We're talking life and money. It's part personal stories, part professional insights, jargon and judgment-free. I'm Ally Donnelly. Thanks for being here.

[00:00:37.68] Today, we're talking teens and money. I don't know what it's like in your house, but my kids are constantly tapping me for cash without any real understanding of where it comes from, how to save it, and definitely not how to budget for their expenses. So today, we're getting tips on how to talk to our teens about money in a way they'll connect with, what key topics to cover, and tools to help drive lessons home. But first, meet another mom who tackled this challenge head-on.

[00:01:03.58] [MUSIC PLAYING]

[00:01:06.49] 17-year-old Maddie Chisholm is good at making money.

[00:01:09.84] I teach private lessons to kids at my school for drums, and I sell some of the jewelry I make.

[00:01:14.68] And she's really good at spending her money.

[00:01:17.64] Clothes, makeup, jewelry supplies, food when I go out with my friends.

[00:01:22.63] But like many teenagers, that's kind of it when it comes to knowing about finances or putting her money to work for her.

[00:01:29.15] I spend more than I make, frequently. [LAUGHS]

[00:01:33.31] Maddie's mom, Denise, is a stock market analyst. But as a parent, even she struggled for the best way to talk to her kids about money. It's a top priority to make sure Maddie and her 15-year-old sister, Charlotte, know at least the basics of personal finance.

[00:01:48.34] What's a credit card? What's the interest rate associated with a credit card? Why do I want to save? What's a 401(k)?

[00:01:54.11] Enter her big idea-- financial summer school. Five topics, five hours, at the height of beach season.

[00:02:04.11] Yeah.

[00:02:05.78] The subject matter is a little not super exciting, but I understand it's important to learn. So hopefully it'll give me life skills.

[00:02:16.09] As the mom of girls, why in particular are you invested in this?

[00:02:20.17] Look, I think girls start investing later. We know that statistically. And I think that there's less of an interest around investing and savings and budgeting.

[00:02:29.18] Did you just say that two teenage girls don't care about money?

[00:02:32.02] Oh, they care about money. They care about spending my money. I want them to care about their own money.

[00:02:36.89] OK. So Denise's lesson plan-- we ran the topics by Maddie. Taxes.

[00:02:41.43] Eh.

[00:02:42.06] Credit and borrowing.

[00:02:43.01] Kind of scares me.

[00:02:43.88] Budgeting and saving.

[00:02:44.88] That's something that I really need to learn how to do well.

[00:02:46.59] General investing.

[00:02:47.34] The stock market goes up and down. That's kind of it.

[00:02:50.04] I got it. I got it.

[00:02:51.20] So summer school it was.

[00:02:53.29] We call Social Security a pay-as-you-go system. And in January, you start to get your tax forms. Intrinsic in that is that knowledge is power. Really do have to understand what you spend to then appreciate how you can save. It was a lot, wasn't it?

[00:03:09.20] That was a lot.

[00:03:10.59] You had your last lesson.

[00:03:11.87] Yes.

[00:03:12.72] How did the whole class go? Better than expectations. I would say it started off a bit rocky. I think that they don't know everything that they will need to know over the course of their life, but they know-- they have the boxes to be able to put that into now.

[00:03:26.97] Denise learned lessons, too. At first, she was all deep dive on taxes and mortgage rates. But then she figured out that telling her kids about her own life and her own money history and hiccups was more effective.

[00:03:38.59] Unless you sit down and say, we are going to talk about budgeting tonight at dinner, you'll never really hear this stuff growing up. So if you don't take a personal finance course and you don't talk about it with your parents, then you're not going to know all of the mistakes that maybe they made that you shouldn't make and how you can avoid those pitfalls.

[00:03:58.76] If you were giving your mom some pro tips--

[00:04:01.45] Use more anecdotes, probably, and less big, fancy words that I don't necessarily understand.

[00:04:07.20] Effective tax rate. Capital gains tax. FICA. I think the technical term is "in arrears."

[00:04:13.56] [CRICKET CHIRPING]

[00:04:15.36] I think one of the most important things that I learned was, like for budgeting especially, pay yourself first, something that you keep saying. So make sure that you have enough money for yourself before you do anything else, like to pay your rent or to pay whatever when you have those things.

[00:04:30.75] OK. So you track your spending?

[00:04:32.25] I do, yes.

[00:04:33.38] This gave me a better understanding of their perspective on money, I guess, which makes me feel more comfortable talking to them about what I have and what I want to do with my money.

[00:04:41.95] Remember in the beginning, when we asked Maddie to react to those personal finance pillars?

[00:04:46.74] General investing.

[00:04:47.63] I don't know anything about investing.

[00:04:49.48] Well, we asked her again to give us a one-word reaction. And after graduating summer school, she now has a different take.

[00:04:57.52] Taxes.

[00:04:58.38] Interesting.

[00:04:59.17] Budgeting and saving.

[00:05:00.08] Yay.

[00:05:01.17] Investing.

[00:05:02.07] I like that. That's three words. [LAUGHS]

[00:05:07.18] It's OK, it's OK.

[00:05:09.77] Thank you.

[00:05:10.84] The girls were awesome. But you know what I thought was really interesting was watching Denise launch the conversation, and then all three of them see the value in making it more conversational. So that was really interesting. But to help launch these conversations with our own families, I want to welcome in Randelle Lenoir. She runs a Fidelity branch in suburban Chicago, helping clients with their money goals. Randelle, thank you for being here.

[00:05:34.05] Thanks for having me.

[00:05:35.59] So before we get tactical-- and we are going to get super tactical-- but I want to ask about the why, the why behind it. Why do we want to have these conversations with our kids about money?

[00:05:46.72] Money and investing are time-oriented skills. Like so many different things in life, the more that you have time to practice, the more that you have time to be good at it, the more likely you are to be successful. Money is the same way. So if teens get started with the discipline of putting money away for the future, figuring out how much they're going to spend on what, getting used to what it feels like to invest, they're more likely to have success because they have those skills when they get into their adult life.

[00:06:17.31] And that's just the emotional discipline part of it. But the money part of it is the longer that you invest, the more likely you are to have success. And that's because of compounding interest. So you put a dollar amount in, that dollar amount hopefully earns interest, and that interest hopefully earns interest. And when you think about that, time is the most important factor of having the likelihood of success.

[00:06:42.77] And keep in mind investing does include risk. And I'll tell you what. A lot of the people that I talk to, they're waiting until maybe midlife to get started. And many of them wish they had started younger. So I think it's the perfect time to start to introduce those concepts to your teens.

[00:06:59.25] Denise had five very specific lessons she wanted to teach her girls. And of course, every family is going to be different. But as we approach these conversations, what are the overarching themes or topics you think we should be sure to hit?

[00:07:13.69] Well, the foundation is budgeting. How are you spending your money? So you've got to get that down first. But then you can build on it with things like savings. You can build on it with debt and investing from there.

[00:07:25.55] OK. So let's lean into budgeting first.

[00:07:29.17] Yeah. So budgeting can be a little bit of a scary word, right? But it's really important for teens to know how much they spend on things and then also to know how much their money can do. And you can't do that without thinking about budgeting as the foundation for money and money learning.

[00:07:48.51] So you sit down with your teen. And you think about, what's an essential expense that you have? So teens may not have a mortgage. They may not have a car note. I don't know. But they may not have the serious, essential expenses like adults do.

[00:08:02.01] But my encouragement here, my invitation here is to give them some kind of responsibility, like maybe a cell phone bill or maybe car insurance so that they're used to an essential expense to pay. And then you can build from there. You think about, what do they want to do with their money? Maybe they want to go to a concert. Maybe they want to buy clothes or gaming equipment, or you're paying money for different app subscriptions.

[00:08:26.04] And then you want to get them to think about the future. And the discipline about putting a little bit of money away for the future really sets them up for success in the long run.

[00:08:35.16] I'm thinking about my girls. Are teens really going to write out a budget?

[00:08:39.00] I mean, you could sit down with them and write things out. And I remember my parents playing a little game with me, like writing things out. OK, this is how much you have coming in. This is how much you have to spend. This is how much you should put away for savings. And then what do you have left, and what are you going to do with it?

[00:08:56.30] But I think now, I didn't have this. But you have these really cool apps available, like the Fidelity Youth app. And it allows them to see the different buckets that they're putting money in and see those in real time. The other thing is to encourage the budget is you can name the different buckets to just make it a little bit more fun.

[00:09:15.49] So it's not as intimidating as you might think.

[00:09:17.54] No, no.

[00:09:18.86] Budgeting and savings go really hand in hand. I think kids are great at spending money, like we said about Maddie. But how do we help them to lean in to see the value of saving?

[00:09:28.87] So the first thing is help them name what they want in the future. A lot of times, we have some aspirations with how we'd like to spend, not just today. Do I want a car? Do I want to go to college? Do I want to be able to go on a big spring break trip with my friends? And a lot of times, it does help to name it on an account.

[00:09:50.67] So you think about the digital age. You're putting the money into an account. It does help to name the account like Randelle's Car, for example. Now, that's going to do something to me when I see that number go up over time. But that's also going to do something for me if I take the money out of Randelle's Car to go buy a coffee, right? So it gives them a little bit of a sense of looking towards the future and building something in the future.

[00:10:15.65] How micro do you get? I think that there's spring break or prom or college. But what about Randelle's shoes or Randelle's makeup?

[00:10:25.56] So the kind of medium-term things that may take them a year or two to build towards is like what you think about savings. Now, the shoes and things like that I might just put in a separate account.

[00:10:38.38] In the fun.

[00:10:38.73] So for me, I have an account I call "mad money." So I don't mix it up with the money that I have to spend on bills. But it's important for them to learn the discipline of responsibilities. What do I need to spend money on? And then what do I want to spend money on in the short term, like shoes, concert tickets, and then what I want to do in the future?

[00:11:00.32] Yeah. I mean, concert tickets today-- that's like a mortgage payment these days.

[00:11:03.82] I mean, right?

[00:11:04.51] I digress. You also mentioned managing debt as one of your big tenets. So teens, hopefully, are not experiencing any major debt. But why is it important to talk to them about debt, even maybe before they've had it?

[00:11:18.85] So just like I just mentioned with all these other different money skills, budgeting and savings, debt is a skill. It's a discipline. I think about my personal experience, like you mentioned before going to college. And that's the first time that I encountered debt. And my parents just said, just don't get a credit card. Just don't do it.

[00:11:38.64] And I got one anyway because I'm a teenager. I'm going to do what I want to do now that I'm out of the house. And I think about how many hard lessons I learned as a teen and college, kind of out on my own, and how high the stakes were for me to get it right versus thinking back about possibility.

[00:11:58.34] What if I had learned those skills in my household with the support of my parents while I learned how to do things like make sure I'm making at least the minimum payment and making sure that I make those payments on time, paying it off, learning about the adverse effects of compound interest? OK, if you don't pay it, the interest is charged. And then that interest and interest gets charged. And that can be detrimental to so many people. We've seen it, right?

[00:12:27.00] Yeah, yeah.

[00:12:27.30] I know it's a little scary to give your teen a credit card access. But the encouragement is hopefully-- we're all going to encounter debt at some point in time. Hopefully they learn the skills and the discipline to use it to their advantage.

[00:12:40.66] It's so true about having that conversation early. We did not talk about money in my house, so I didn't learn that. It took me later to learn hard lessons about taking those credit cards in college. So that's a great call-out. OK, investing-- give it to me.

[00:12:56.27] All right. So this is one of my favorite topics. You think about the time that a teen has until they do something major that we save for retirement. And you should get really excited about the potential for them to learn investing skills early on. Investing is both emotional and tactical. Let's talk about the emotions first because this is what I tend to deal with.

[00:13:19.61] I heard this economic announcement. Should I take all of my money out? Is this the right time to invest? And a lot of that is not tactical. It's emotional. And it's hard because you see your money go up and down, and investing involves risk, as we know.

[00:13:34.69] But imagine if you build that emotional discipline early on in life, going through different market cycles as a teenager. You'll be more likely to stick with it and then more likely to have success. But the other thing is the tactical thing about investing, putting your money into an investment account, selecting your investments, rebalancing, asset allocation, diversification, all the lingo. Learning that at a young age will also put you in the best position for success as well.

[00:14:04.46] OK. I hear that, but the less you know about investing, as you said, the scarier it can seem. What if I'm a parent who doesn't know much about investing or hasn't done much investing? How do I help my teenager learn about it?

[00:14:18.48] Well, I just recently had this beautiful experience that made me think about this. So I was at-- a matriarch in my family-- she had passed away. And we were just in her house, looking at pictures and things. And I look at her wall. And I see a picture of my great-great-grandmother in her cap and gown-- her cap and gown. And I just was in awe of this picture.

[00:14:39.67] And someone walked up to me and said, oh, you know the story behind that picture, right? No. I was like, oh. Apparently, my great-grandmother, when she had my grandmother, stepped away from school just to focus on raising her. But when my grandmother went to high school, she decided that she was going to do that, too.

[00:14:59.22] Your great-grandmother went to high school with--

[00:15:01.07] Alongside, right? So that was her picture of her having accomplished that alongside my grandmother. And when you think about the power of learning with your child, I think about my family now. My parents are doctorate degrees holders. I've gone to college, too. And that's really the foundation of the legacy of our family.

[00:15:24.33] So if you rewind, let's say you're not a very confident investor. I don't know very many people who would consider themselves an investing expert. But imagine you do it with your child. And then you have that same legacy and foundation of like, we know how to deal with our money. And it's just been passed down from generations and generations. And that's so powerful.

[00:15:43.48] Yeah, it is.

[00:15:43.67] So don't shy away from learning with your teen.

[00:15:46.94] That's a great story. I love that story. You talked about the lingo and the fundamentals. And maybe parents need to learn it, too. So what's a good way to get started?

[00:15:57.01] There are a couple of things that come to mind. The first thing is like, for example, there are apps out there that will help them learn lessons over time, like the Fidelity Youth app. They can go in and they can learn the lingo and get comfortable with, what is diversification? What is rebalancing? What is asset allocation and those things that we believe are really big parts of a successful investing practice?

[00:16:20.45] But then there's also, if you're ready to take a dabble, they can open an account and start putting money in and start making their first trades. So I think a great place to start with teens is like, what are they noticing in their environment? Is there a certain piece of technology that you can buy a stock or a partial stock share in? Just get them interested in it from where they're sitting in life and get them started.

[00:16:46.92] Awesome. Coming back to how kids think about money, kids rarely handle cash. So with all the apps out there, for some kids, it can seem like play money. So how do you get them to learn the value of a dollar?

[00:17:03.45] It depends on where your kid is or how old your kid is. So the first thing is a younger kid may be involve them in the transactions that you're doing. So you give them the cash and let them actually make the transaction. I know that a lot of teens are sending money from app to app. Or maybe they're swiping a card and not thinking about it.

[00:17:26.54] But when you have your own account-- and like I was mentioning before, you have your bucket set up. And now your money's maybe coming from your car your spring break money, and you see that happen. That's a way to feel the responsibility and then also know what your money can do for you. So I'm encouraging people to consider letting their kids have their own account so they can see the money coming in and out, and they feel it.

[00:17:52.89] Yeah. I think also their own funded account is what you're getting at, right?

[00:17:56.47] Yes.

[00:17:56.56] I keep funding my daughter's account. I'm like, no, and she's younger. But that babysitting money, that summer job-- what should happen there?

[00:18:04.26] Yes, yes. They should be alongside when that money goes in. So you can teach them these different principles with the money that they have coming in.

[00:18:13.41] So financial topics can overwhelm the best of adults. And we all have our emotional baggage from childhood that we don't want to pass on to our kids. And then also, too, we've made money mistakes. And maybe we think we're not qualified to talk to our kids about money because we messed up at some point.

[00:18:31.63] I think about with so many things in life, not just money, I don't want to learn from somebody who's never had to work through a challenge or a failure. What do you know? What can you teach me? So embrace those stories about failures that you've had because that's growth. That's learning. And that's actually going to be more useful to them.

[00:18:53.55] So for example, if you got a credit card young and maybe you overcharged it or you didn't pay the minimum or whatever that failing is, let them learn from those experiences. They can learn from you rather than on their own, hopefully. But those are the foundations for success, not this idea that you've never had any bumps along the road, but that you have endured bumps in the road over time.

[00:19:21.13] It makes achieving whatever that success that your teen sees in you more accessible. If you present yourself as somebody who's never made any mistakes, they may not try.

[00:19:32.82] Yeah, yeah, or tell you about it.

[00:19:34.17] So embrace those mistakes. Right. They may not say, oh, I'm having some challenges with my credit card, or I'm having some challenges saving or with my spending. They won't bring it to you because there's this feeling like, I'm not measuring up to the example that's

been presented to me. So embrace those moments. I think that makes you a better teacher for your teenager.

[00:19:57.52] Awesome. Going back to investing, Maddie went through summer school, and she learned the five lessons. But she still wasn't feeling totally confident about taking that step into investing. Do you see that with kids a lot?

[00:20:11.50] Oh, yes. Like so many different things that we start off with, there's a lot of enthusiasm and excitement for it. But maybe varying levels of confidence is completely normal. A Fidelity study shows that most teens feel like investing is important. Most of them do know that this is an important part of life. But fewer than one in four have actually started.¹

[00:20:35.02] So how do you overcome the confidence barrier? So we develop confidence with experience. So maybe help them get started with opening an account while they're in the cocoon of your support and your guidance so that they develop those skills and that confidence while they're in your household.

[00:20:54.91] I really want to talk about investing and girls in particular, as you've had this bird's-eye view on families.

[00:21:01.48] Yeah, girls and investing and women and investing are one of the topics I'm most passionate about because there are some differences out there when you think about what we have to think about with financial planning. So first of all, women tend to live longer than men², meaning that your money has to last for a longer period of time.

[00:21:19.17] The second thing is we've heard that women earn less on a dollar, typically, than men.³ That means that you have to do more with less money.

[00:21:27.06] And then other things, like women tend to be the caregivers in their household, both for children and for adults.⁴ And often, that means that they have to step away from their careers and maybe take a financial break in their earning years. There are all of these different financial situations that are unique to women that mean that the younger that we learn money principles, how to invest, how to save, how to manage debt, the more likely that they are to have long-lasting success.

[00:21:56.06] And the other thing is women, in our experience, largely, tend to be really, really good at savings. So that's a special skill there to build on. We're really comfortable with putting money away and the discipline of putting money away.

[00:22:11.84] But women, less likely, are feeling comfortable with investing.^{5,6} And the one thing that we can do to help break that barrier and plant stronger seeds for girls to have more success when they become women is to help them feel comfortable with the risks involved with investing, to help them feel confident with what they're doing.

[00:22:32.30] Yeah, normalize it, I assume you're saying.

[00:22:34.48] Yeah.

[00:22:35.13] OK. So we're ready to get started. What are some best first steps if we are going to launch these conversations?

[00:22:40.60] First step-- open a bank account, right? I remember having my first bank account as a teenager. I felt so grown, you know? And encourage your teenager to be with you making those deposits, like the birthday money or whatever it might be, so that they can see what it's like to transact business with the financial institution.

[00:23:00.91] And then the second thing is hopefully over time, with their lessons and with your example and with your protection, they can get their toe dipped into investing. So you can get an investment account as well.

[00:23:14.75] Randelle Lenoir, thank you so much.

[00:23:16.42] Thanks for having me. This was fun.

[00:23:18.57] Thanks to Randelle, the Chisholm family, and all of you for joining us. A quick reminder on the four topics Randelle suggests talking about with your teen-- budgeting, saving, debt, and investing. We have more tools on each of those topics on our website, fidelity.com/moneyunscripted.

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[00:23:52.85] [MUSIC PLAYING]

Footnotes and disclosures

1. About Fidelity's 2023 Teens & Money Study: This study presents findings of an online survey among a sample of 2,081 respondents ages 13-17 years old. Fielding for this survey was completed between June 1-11, 2023, by Big Village, which is not affiliated with Fidelity Investments.
2. National Vital Statistics Report, November 2023
3. U.S. Department of Labor, March 2023
4. CDC, Women, Caregiving, and COVID-19, June 2021
5. Financial Facts for Women's History Month, Shurwest Financial Group, 2018

6. Fidelity Press Release, Make Way for Women Investors: Record Numbers, Higher Returns, 2021.

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