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Youth Money Management Goes Hand-in-Hand with Youth Employment

A teen's first job provides a great opportunity to shape positive financial habits

Many teens think about how they can earn money so they can spend it, but it's important to learn how to manage it as well. The best place to start is with a bank account. Once you land that new job, you should establish a bank account to keep track of your new earnings and keep it safe. This one step will open the door for hands-on experience managing money and discussions with others on various aspects of financial management, which will help you prepare for the future.

Opening a Bank Account as a Teen

Banks offer accounts with different features, so it's important to find out what is available for students and young adults, then compare them to make the best selection for your situation. Go over items such as minimum account balance requirements, mobile banking features, ATM fees, and interest rates offered when deciding on an account. Regardless of the account you choose, if you are under the age of 18 (or 21 in some states), it

will need to be a joint account with a responsible adult.

Share and Gain Knowledge

Once you establish a bank account, make sure you understand the information provided in bank statements, such as how money is credited to and debited from your account and the difference between an account's current balance and available balance. Review account statements with someone who knows the information well and take the opportunity to learn about things like direct deposit and automatic bill payments.

Understand Fees

Different banks will charge different fees for different items, making it very important to know all about the fees your particular bank charges in relation to your specific account. Some common fees include monthly maintenance fees, paper statement fees, inactivity fees, debit card replacement fees, and overdraft fees.

Overdraft fees may be especially challenging to manage, as they can add up quickly. In general, overdraft programs allow customers to make ATM withdrawals or perform certain debit card transactions that exceed the amount of money available in the customer's account. Many banks typically charge \$35 or more per overdrafted item, but they are only allowed to assess such fees if the customer has opted in to overdraft coverage, meaning you have to sign up for your bank's overdraft program. If you choose not to opt in, then ATM and one-time debit card transactions that go over the amount of funds in your account will be declined. Another option to cover transactions when there is not enough money in your checking account is to ask your bank if you can link a savings account

to your checking account to automatically transfer funds in these situations. A bank may charge a fee for this automatic transfer service, but the fee is typically smaller than an overdraft fee. However, the easiest way to avoid overdraft charges is to keep a close eye on your account balance and on how much you plan to spend.

You can find information about your bank's fees by reviewing its account agreement or fee schedule. These documents are usually available online or can be picked up at a local bank branch.

Talk About Savings...and Interest

You should also understand the importance of things like saving for emergencies and how compound interest works. Putting even a small amount of money from each paycheck into a savings account and leaving it untouched will allow the account balance to grow because when an interest payment is added to the balance, the balance increases, and when the next interest payment is calculated, it is based on the balance that includes the previous interest payment. Watching savings grow by putting money away on a regular basis and understanding compound interest can be exciting and very rewarding.

Where Does the Money Go?

Having a bank account is a great tool to help a new money-earner see the value of savings and also how to budget. Teens can work with a trusted adult to figure out how much money is coming in and how to split that money up to buy day-to-day items, pay bills, and still set some aside for savings.

Use Mobile Banking Wisely

Mobile banking allows you to perform many banking activities, such as depositing checks, transferring money between accounts, and checking account balances, on your smartphone or tablet. There are also a number of apps you can use for budgeting, tracking spending, and paying bills. While technology has made banking much more convenient, you must be proactive about protecting your account information and personal information (like your Social Security number) so that it is not stolen. Some measures you can take include creating strong passwords for your accounts and devices, avoiding logging into your accounts through a public Wi-Fi network, and never saving usernames and passwords in your browser.

For more information, see our recent article on protecting your information when banking and shopping online.

<https://www.fdic.gov/consumers/consumer/news/november2018.pdf>

Money management is an important skill for teens to learn before they leave home, and a bank account is a great tool to teach teens about handling money. By opening a youth bank account, you open the door to important discussions about savings, budgeting, and proactive financial management.

For more information on teens and money, visit:

<https://www.consumerfinance.gov/about-us/blog/the-teenage-years-are-for-practicing-money-decisions-in-a-safe-space/>

<https://www.consumerfinance.gov/consumer-tools/money-as-you-grow/>

<https://www.consumer.gov/section/managing-your-money>

For more help or information, go to www.fdic.gov or call the FDIC toll-free at **1-877-ASK-FDIC (1-877-275-3342)**. Please send your story ideas or comments to Consumer Affairs at consumeraffairsmailbox@fdic.gov

