

# Teen Financial Toolkit



According to US News, 1 in 5 teenagers lack the skills of basic financial literacy. This means they have little to no working knowledge of common financial practices such as savings & checking accounts, credit scores, filing taxes, and more. This statistic can be attributed to the fact that many teenagers are not being taught these financial skills, both at home and in the classroom. As of this post, there are only 17 states in the country that require high school students to take some sort of personal finance class. Additionally, many parents of teens handle the majority of financial responsibilities until their child is living on their own (and some even continue beyond that) or provide a poor example to follow.

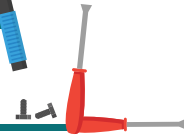
To help combat this issue, this eBook will provide teens with their own Financial Toolkit to help educate and empower them for the future.



**Budget**



**Taxes**



**College Prep**



**Saving**



**Checking & Debit Cards**



**Credit Cards**



**Credit Score**



**Wants vs. Needs**

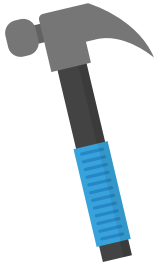


**Protecting Identity**



**Setting Financial Goals**





# BUDGET

## TRACK SPENDING

Before starting any budget, you need to know exactly where your money is going. Your expenses should be divided into two separate groups: fixed expenses and variable expenses. Fixed expenses are costs that stay the same and you are paying on a consistent basis, such as a car payment. Variable expenses are costs that vary on how much they cost each month, such as going out to dinner.

## SET GOALS

Set goals when you are planning out your budget. These goals can then be separated into two categories: short-term goals and long-term goals. Short-term goals could be saving up to buy a new laptop while a long-term goal could be saving up for college. These goals will help dictate what your priorities are and help you craft a budget centered on them.

## CHOOSE A METHOD

There are several different ways that you can budget your money. Picking the option that works best for you will give you a greater chance at budget success. Three of the most popular forms of budgeting are:

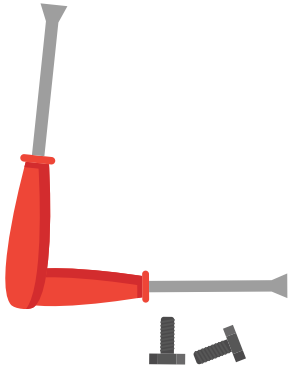
- The Envelope Method
- The Zero-Based Budget
- The 50/20/30 Tool
- Electronic Budgeting

To learn more about each of these methods, you can click [HERE](#).

## TRIAL AND ERROR

The purpose of a budget is to make sure that your money is going where it's supposed to go. If your current budget or the method you're using isn't working, try something new. It may take a few months to figure out what works best for you.





# TAXES

## DO I NEED TO FILE?

First, find out if you even need to file at all. For example, if you are under the age of 65, single, and make less than a specific amount per year, you don't need to file taxes. Check the IRS website for the latest details regarding these guidelines.

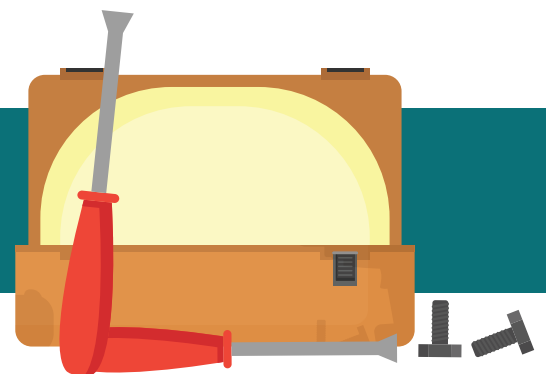
## AM I BEING CLAIMED AS A DEPENDENT?

If you are being claimed as a dependent by a parent or guardian, you cannot file your own tax return. In order to be claimed as a dependent, you must be 19 years old or younger (24 if you are a full-time student) and whoever is claiming you must provide more than half of your financial support.

## HOW DO I FILE?

Gather all important documents that you will need for the filing process. This includes your social security number, W-2 forms for all jobs you had during the previous calendar year, and a 1099 or W9 form (if you have one). Once you've gathered all of these, you can begin filing. There are three main ways to complete this process: pen and paper, tax software, or hiring an accountant. Since your deductions are likely to be fairly simple at this life stage, the easiest way to file will most likely be using tax software.

**DISCLAIMER:** This article is intended to be a helpful guide. If you have specific questions or concerns regarding your financial situation, please reach out to an accountant or other financial advisor.





# COLLEGE PREP

## BE ORGANIZED

As you begin the application process, it's important to be as organized as possible. Be mindful of due dates and what each college will require as part of the application process. Leave yourself plenty of time for any essays you may need to write so it doesn't appear rushed or sloppy to the school. Set a goal to submit your applications as soon as possible so you're not running crazy on the due date.

## START BUDGETING AND SAVING

Once you've been accepted and know where you'll be attending, you need to start creating a budget. Estimate how many credit hours you will be taking and how much you can expect to pay for your tuition. Don't forget to include fees or any room/board you may also be paying. Try and pick a school that will fit within your budget.

## FINANCIAL AID

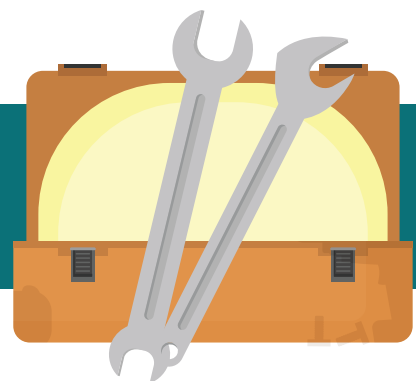
Even if you don't think you qualify for financial aid, you should still apply just to make sure. Filling out a FAFSA is free and will help you find grants that you won't have to pay back once you graduate. They can also help you locate paid work-study opportunities on your campus.

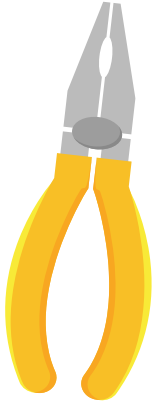
## LOOK AT SCHOLARSHIP OPTIONS

The more help you can get paying for college, the better. Always be on the outlook for scholarship opportunities. Expand your search beyond what your college offers since there is a scholarship for just about everything these days. Have red hair? There's a scholarship for that. Taller than 6' 2"? There's a scholarship for that. Have a talent for duck calling? There's a scholarship for that. Start googling because even a \$500 scholarship or grant here and there can be a major benefit.

## STUDENT LOANS

Even with the advantages of scholarships and grants, you may find yourself needing to take out student loans. This can be an intimidating process, so here are tips to make it a little easier. Start with federal loans as opposed to private loans. They usually offer fixed interest rates and have income-driven repayment plans. You can find options for federal loans when you complete your FAFSA.





## SAVING

### PAY YOURSELF FIRST

Every time you earn money, before buying anything else, start making it habit to pay yourself first by putting money in savings. Even a few dollars here and there will grow over time. To boost your savings even more, Dream Certificates from Cyprus Credit Union are a great option. You can open one with as little as \$20 and continually add money throughout the term. The longer of term you select, the higher your interest rate will be.

### INCLUDE IN BUDGET

Include some saving whenever you create a budget. Remember that as budget is supposed to be flexible and evolve as your situation changes. So, if you feel like you're constantly fighting your budget, take some time to go through it line by line and see where you can make adjustments. For more tips on creating a budget in your teens, click [HERE](#).

### SET UP AUTOMATIC DEPOSITS

Setting up automatic deposits can make it easier to save because you don't even need to think about it. Not only will you not forget to pay yourself first, but it will also remove the temptation to spend the money you should be saving on something else.

### DIFFERENT ACCOUNT

Use a different account or a different financial institution all together to remove the temptation of using your savings for an impulse purchase. Do not have a debit card linked to this account so that in order to use it, you will need to make a conscious effort to transfer around money.





# CHECKING & DEBIT CARDS

As you start to earn money as a teen, you'll need to find a way to both store your money and a responsible way to spend it. Here is some information about checking accounts and debit cards that's important to keep in mind.

## CHECKING ACCOUNT

Once you start receiving money, this is a great time to open your first checking account. Not only will you earn interest on the money you have in there, but you'll have peace of mind knowing that your money is in a safe place.

If you are under the age of 18, you may need a parent or guardian sign on as a joint account holder.

Download your financial institution's app so you can always have access to your account information. This will allow you to check your balances, deposit checks, and ensure that your money is going where it needs to go.

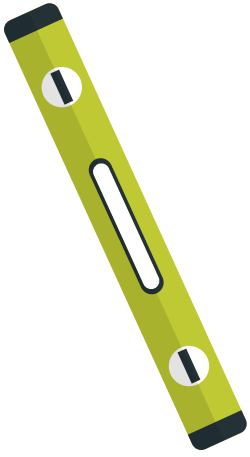
## DEBIT CARD

The first thing you should do once you receive your debit card is set up your personal identification number or PIN. This will help make your debit card more secure. It's extremely important to make sure that your debit card information stays confidential. If someone gets ahold of it, they can easily drain your bank account. So keep your card in a safe location and don't write down your PIN anywhere.

While a debit card is a better alternative than carrying around cash in some cases, there's still a level of caution that you need to take. You'll need to track your spending so you know exactly what funds are available to you. Spending cash you don't have may lead to overdraft fees costing you more money in the long run.

Be aware of fees that may come from ATM machines outside of your network. Cyprus Credit Union is part of the CO-OP ATM Network which allows you surcharge-free access to your money.





# CREDIT CARDS

## CO-SIGNER

If you are under 18, you will need to become an authorized user on someone else's account. This is usually a parent or guardian in most cases. Choosing this route places extra responsibility on your shoulders because your mismanagement of the card will affect the other person's credit.

## PICKING THE RIGHT CARD

The goal of having a credit card in your teenage years should be to build your credit, not to rack up debt. Because of this, you should select a card that features a low interest rate and low fees. This means that you may start out with a card that features little to no benefits and a low initial credit limit. As you become a more responsible user of credit and progress in your career, you'll be able to upgrade your card down the line.

## SMALL PURCHASES

When you first start using a credit card, begin with small purchases that you usually make anyway, such as filling up your gas tank. Once you make these purchases, immediately pay it off. After starting this habit, you can start budgeting to make bigger purchases with your card. Having a plan in place to pay off the balance in full each month will help you save money by not having to pay interest.

## CREDIT SCORE

Once you have a credit card and start using it, your credit score will begin being impacted. If you miss payments or spend more than 30% of your total credit, this may result in your score dropping. While it's super easy for your score to drop, it's equally as difficult to bring it back up again. Set reminders when payments are due





# CREDIT SCORE

## WHAT IS A CREDIT SCORE?

A credit score is your entire credit history compiled into a three-digit number. It can run anywhere from 300 to 850. The higher this score is, the better.

## HOW CAN I START BUILDING A CREDIT SCORE?

Start using some form of credit. As soon as you turn 16, you can be added as an authorized user onto your parent or guardian's account and then apply for your own card when you turn 18. Using credit responsibly and making on-time, consistent payments will help build your credit score over time.

## FOR WHAT IS A CREDIT SCORE USED?

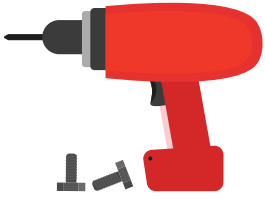
The most common purpose of a credit score is to show lenders whether or not you may be a reliable borrower when you apply for loans and credit cards. Having a higher score may also give you better interest rates and term options. However, it can also be used in background checks for employment, apartment rentals, insurance coverage, and more.

## I CAN'T OPEN A CARD RIGHT NOW. WHAT ELSE CAN I DO?

If you don't already, now is the time to open a checking and savings account. Learning how to manage money coming in and out of an account is a great way to build up basic money management skills. You can also look into employment opportunities. Having a steady income source will make it easier when it comes to applying and being approved for your first card.







# WANTS VS NEEDS

## WHAT ARE CONSIDERED NEEDS?

Needs are any items you buy that allow you to live and work. For the most part, these are usually recurring expenses that you pay regularly. In most cases, needs are universal for all human beings. Some examples include:

- Mortgage/Rent
- Transportation
- Utilities (gas, electricity, water, etc.)
- Food/Water
- Insurance (health, auto, home, etc.)

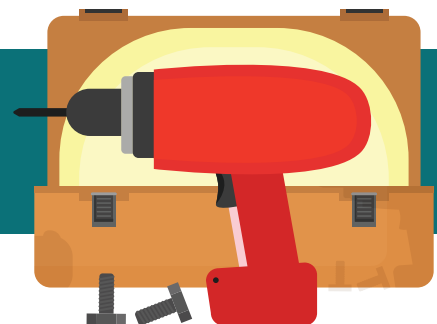
## WHAT ARE CONSIDERED WANTS?

Wants are items that you don't necessarily need to survive, but make your life more comfortable and fun. These expenses are more sporadic and may not be something you pay for on a regular basis. Wants are also more unique and something you want may not be what another person wants. Some examples include:

- Entertainment (restaurants, movies, concerts, etc.)
- Travel
- Shopping
- Upgraded needs (designer clothes, nicer cars, bigger house, etc.)

## HOW CAN I COVER BOTH?

While there are many different **methods of budgeting**, one of the most popular is the 50/30/20 rule. In this method of budgeting, 50% of your paycheck goes towards your needs, 30% goes towards wants, and 20% goes towards savings. While this sounds great on paper, it may not be practical for everyone. This is especially true for teens whose parents may be providing for most of their needs. In your early teens, you should be placing an emphasis on your saving for the next stage of your life. As your paycheck grows, you can start splitting it as your expenses change.





# PROTECTING IDENTITY

Taking the initiative of protecting your identity and personal information as a teen will provide security for your future. Here are some steps that teens can start taking now to make it so they are less likely to be the victim of identity theft.

## SOCIAL MEDIA

Social media is a great way to connect with friends, family, and people around the world. However, with so much personal information being put out there, it also makes you an easy target for identity theft. Never share information such as your address, phone number, or other identifying information with people you don't know.

## PUBLIC WI-FI

Having access to Wi-Fi in public places can be extremely convenient, but there are also risks. If you need to access personal information, such as your bank account, you should ensure that you're connected to your Network and not to Wi-Fi.

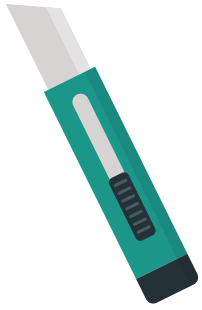
## WEAK PASSWORDS

While having the same password for multiple accounts makes everything easy to remember, it doesn't provide much security. Have different passwords for all accounts and update them regularly. For more tips on creating a strong password, click [HERE](#).

## NOT CHECKING CREDIT

Teens often don't have credit history, so they aren't requesting regular copies of their credit report. This means they may already be the victim of identity theft and not even know it. They will only find out once they start applying for credit cards or other loans and are denied. In most cases, those under the age of 18 do not have a credit report unless some type of fraud has already taken place.





# SETTING FINANCIAL GOALS

When planning your financial future, you should always have a goal that you are working towards. These goals will help you determine what choices you make when it comes to spending and saving your money. Here are tips for setting smart financial goals.

## WRITE IT DOWN

According to a study, you are 42% more likely to achieve a goal if you write it down. When you write something down, you are forced to think more critically about the goal and how you can get there. Placing it somewhere you can see it every day will remind you what you are working towards.

## PRIORITIZE GOALS

You most likely will not be able to accomplish all of your goals at once. This may lead to overlapping goals, not having enough time, or nothing ever being accomplished. Pick the one or two goals that are most important to you and start with those. As you work toward them, you may find yourself being able to add a short-term goal here or there.

## MONITOR PROGRESS

As you work towards your goals, you should plan on hitting specific milestones at certain times. For example, if you want to save \$3,000 in 5 months, you'll know that you need to save at least \$600 per month. Check in with your goal during this time to make sure you are on target and will hit your goal when you need to.

## KEEP TRYING

Sometimes you'll have to try more than once to achieve a goal and that's okay. It took Thomas Edison over 1,000 tries to be successful at creating the lightbulb. If one method doesn't work, try something else. The best way to achieve a goal may not always be the most obvious way.

