

Parents should teach Financial Responsibility 101

As published in the Naperville Sun August 23, 2009

By TOM McGEE

Parents typically send their children off to college supplied with mini-refrigerators, linens and cleaning products, but often they don't think about educating their children about finances.

One of the best ways for a student to understand how to handle money wisely and develop a sense of financial responsibility is to develop a balanced budget.

Does your student understand how much money they have available to make it through the school year? Have they broken that down into a monthly or weekly spending plan? Have they broken their expenses down into needs versus wants?

Attorney Alice Wood, president and founder of Wealth Watchers International and counsel to the law firm of Nyberg and Cassioppi, said her personal goal is to help every college student make it through the year without credit card debt or overdraft fees.

"We've learned that the best way to reach that goal is to help students keep track of where their money goes so that they know their balance," she said. "Writing down every expense forces a 'think before you spend' moment and helps students to be less quick to part with their money."

After your student goes through a budgeting process and understands the basic inflows and outflows of their cash flow, they will probably have to face the facts of some combination of either earning more income or cutting expenses.

When their children are younger, parents teach them how to safely cross a street, how to ride a bike and eventually how to drive. Teaching them the basics of handling their finances should be one more aspect of children's education.

Students and parents should consider opening a student account with a local bank on campus where everyday transactions and problems will be easier to take care of when their bank isn't miles away.

Make sure the bank offers online services, which offers around-the-clock access to their accounts. The online banking transactions are instant and spending is tracked, which can be very helpful for budgeting. In addition, online bill pay and the ease of transferring funds to or from other accounts is especially convenient for a college student living away from home.

When parents co-sign with their children, joint banking allows parents to have access to their child's account, so they can transfer funds online and help students better manage their financial responsibilities.

Is your student responsible enough for a credit card? If so, you will probably have to co-sign the credit card agreement with them. You should consider a low credit limit card or even a secured card. Talk to them about the mechanics of how credit cards work. Make sure you both understand how the bill will be paid and who will be paying it.

If your student isn't quite ready for their own credit card, consider a prepaid spending card. A prepaid spending card has its own built-in spending limit, set by how much money is loaded to the account. Prepaid credit cards are one way to monitor spending and not go over the limit or accumulate debt.

Once they arrive at college, students will be responsible for attending classes and completing assignments, all without parental supervision. Managing their money is one more responsibility. So sit down and talk to your child about their spending habits before they head off to school -- it is an important parting gift to give.

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