

5 Financial Concepts To Teach Your Teen Before High School Graduation



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I help people on their path to Financial Freedom. [FULL BIO](#) ✓

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With graduation around the corner, high school seniors and their parents are focused on their school's graduation requirements. But what about their personal finance education requirements? Are financial skills included in a student's formal education? Not usually. In fact, I am astonished by how little young people know about personal finance, but I am also impressed by how much interest these students express once they are presented with some financial insight. So, what financial concepts should graduating seniors know before they walk down the aisle to Pomp and Circumstance?

I completed research on this topic and discovered some alarming statistics. According to the Council for Economic Education's Annual Survey of the States, only 17 states require that high school students take a course in personal finance and that number has remained unchanged since 2014. Moreover, the National Endowment for Financial Education surveyed more than 1,200 K-12 teachers in 2009 and found that "while 89% of K-12 teachers agree that students should either take a financial education course or pass a competency test for high school graduation, only roughly 20% of the teachers believed that they are adequately prepared to teach personal finance." With not much personal financial education being presented in school, it is not surprising to see that a 2015 Junior Achievement and All-State survey that found that a whopping 84% of surveyed teens look to their parents to learn money management. But, unfortunately, that same survey pointed out that many parents may feel uncomfortable talking about money matters with their kids, due to their lack of knowledge or their own financial missteps.

We all know that strong personal finance skills are a critical component to an individual's success. So it's important that we check in with our teens, evaluate their financial knowledge, and pick up the slack where needed. To help you prepare your teens for the real world, I've included below my top five financial topics that teens should understand by high school graduation.

1. **Budgeting** – Before their graduation, teens must know how to create a budget. They should understand the differences between income, expenses, and savings, and the concept that expenses should not exceed income – otherwise, they will accumulate debt and incur costly interest.
2. **Credit Cards** – 18 is the minimum age requirement for credit card applications. If the credit card mailers addressed to your teenager haven't started to inundate your mailbox, just wait. Teens need to know about credit cards – how they work, the in's and out's of interest rates, payment periods and amounts, the weight of credit card debt, and how credit card debt and interest expense can quickly accumulate.
3. **Bank Accounts** – Teens should know how a bank account works and the fees associated; not only the account fees and how they incur (min balance amounts, activity fees, etc.), but also the ATM fees. Young people tend to like to do things online so they can search for a low cost, basic online checking account. And while check writing may someday be obsolete, don't forget to show them how to write a check and explain how it works. Also, review how debit cards work, how to safeguard all their information, and how too many swipes at

the checkout counter can lead to costly and embarrassing overdraft charges.

4. Savings – Teens must understand the importance of savings. Not only saving for a car, trips, and expensive purchases but also financial emergencies that may arise (repairs, healthcare, etc.). Even if you are paying all your child's bills, they need to know how much things cost. And, if you have their ear and they are still listening, start a conversation about retirement. It's never too early! A good starting point for this discussion is an explanation of the time value of money. Then, explain that retirement is the largest purchase a person will ever make, and the sooner you start putting money into retirement savings vehicles, the closer you are to a secure future.

5. Credit Scores – It is important that teens understand the consequences they may face if they don't keep their finances in good shape. Make sure that you discuss the impact missed payments and large amounts of debt can have on a credit score. You can also add a little fire and brimstone and explain what bankruptcy means and how that is a tough legacy to shake.

To close, here are some eye-opening statistics. In 2012, the Paris-based Organization for Economic Co-operation and Development studied nearly 30,000 teenagers from 18 countries and found that more than 1 in 6 US students failed to reach the base level of proficiency in financial literacy. The data showed that our students fell in the middle of the global pack, performing on average behind Latvia and just ahead of Russia. At the end of the day, it's up to us, the parents, to check in on our children's financial literacy and help prepare them for their futures so that they have the best chance of success.

Contributor's Bio

Mark Avallone is the author of *Countdown To Financial Freedom*, and founder and President of Potomac Wealth Advisors, LLC a financial advisory firm serving clients through holistic financial planning and wealth management. Avallone writes on a variety of financial topics, and his contributions have appeared in the *Wall Street Journal* as well as in *Forbes* where he is a regular contributor. He has appeared on CNBC and has been a repeat guest on the Fox Business Network. His insights have also appeared in *USA Today*, *U.S. News & World Report*, *The Washington Post*, and other leading publications.