
TALKING POINTS

HIGH SCHOOL STUDENTS

PRESENTED BY JEAN CHATZKY AND PASS FROM AMERICAN EXPRESSSM

INTRODUCTION

Give your kids a heads-up that tonight you're going to make some time to talk about money. It won't take all night, but they should finish their homework, tell their friends they're not available, turn off their phones — because this is important.

Say something like this: “We’re going to have ‘The Talk.’” They’ll roll their eyes, at which point you can say, “No, not that talk. We’re going to talk about money — really practical things that we know you care about like how much things cost, why you need to save, how we’re going to pay for college and whether or not you should get a job. I’m willing to answer all your questions. And even to do some digging if you have questions that I don’t know the answers to. Because I’m committed to this.”

QUESTIONS TO ASK YOUR KIDS AND TIPS ON HOW TO ANSWER

START BY ASKING: “DO YOU THINK OF YOURSELF AS A SAVER OR A SPENDER?”

ANSWER GUIDE: Let your kid know that about half of young adults their age put themselves in one category or the other. Even if they feel like they're a spender rather than a saver, saving money is a really important skill for them to know. They need to establish a habit of always saving part of the money they have coming in (I suggest 10 percent). Offer your kid two tricks to saving: know what they're saving for and have a plan on how to get there. That means they should establish what their short, medium, and long-term goals are, and then break down the larger goals down into achievable benchmarks. Finally, tell them they need to make a commitment to succeed in reaching them. Ask your kid what they are saving for, then help them figure out how much money they should put aside each week in order to meet their goals. (See the Middle School Toolkit for an exercise in Setting and Achieving Goals.)

START BY ASKING: “WHEN YOU GO TO COLLEGE, WHERE DO YOU THINK THAT MONEY WILL COME FROM?”

ANSWER GUIDE: Our research shows 62% of kids believe you'll pay for college, 51% think the money will come from student loans, and 44% believe they'll get money from grants and scholarships. The most

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important thing about your answer is honesty. Consider how much of a contribution you think you'll be able to make and share that with your child. Make sure they know whether they are expected to fill out the financial aid forms, or if you'll do it for them. Talk about what the debt they take on will mean after they graduate in terms of monthly payments (for many of today's recent college grads, a third of their income goes to student loan payments). And discuss whether you believe private college (average tuition \$26,274) is worth the cost or if you think a public school (average tuition \$7,020 in-state) is a better value and why. If you're counting on your kids to pay for books or incidentals by working during the year or with money they earn during the summer, raise that topic as well. The point is that your kids should understand the financial constraints they have before they begin looking and applying to schools.

START BY ASKING: "HAVE YOU THOUGHT ABOUT GETTING A JOB?"

ANSWER GUIDE: Once kids are in high school (and particularly once they're driving), two-thirds are thinking about working to earn additional money. That's a good thing. Research has shown that kids who work in high school are more financially responsible as adults (and that kids can work 15 to 20 hours a week in high school and college without it affecting their schoolwork). So discuss some options with your children: an after-school job in a retail store; work in the neighborhood as a mother's helper; tutor younger children in the subjects where your child is strongest. And make sure you address the following: What do they like about the idea of getting a job? Are they thinking about getting a job because they have particular goals they want to meet and they need money to do so? Or are they looking for experience to see what they might want to study in college? Or do they just need something to do after school? What's standing in their way? It's important for your kid to understand that although having money coming in (that's their money) can be a good thing, there are trade-offs to working. Make sure you talk through the plusses and minuses (being able to save for college or other goals vs. giving up time with friends or extracurricular activities) not to persuade or dissuade, but to enable them to evaluate their options.

START BY ASKING: "WHAT'S THE DIFFERENCE BETWEEN A DEBIT CARD, A CREDIT CARD, A PREPAID CARD AND A CHARGE CARD? WHY WOULD YOU USE ONE RATHER THAN ANOTHER?"

ANSWER GUIDE: Explain that all of these are payment cards which can be use to pay for things, but

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with significant differences. A debit card is a payment card linked to their bank account. When they swipe a debit card, they are using money already in their account to make the payment. A prepaid card is a card that has been pre-loaded (often by parents) with a limited amount of money. When they swipe a prepaid card, they either spend the money until it is reloaded or runs out. When they swipe a credit card, they are not spending their own money. They are borrowing from whatever bank or credit union issued that credit card and the amount they can spend is capped at the amount they have agreed to lend, called a credit limit. There is usually a minimum payment due each month toward the balance owed. And a charge card is a credit card that must be paid off in full every month. Let your kid know that debit, prepaid, credit and charge cards allow them to monitor charges online so they can keep an eye on their spending.

Make sure your child understands that all of these cards are tools, and at their current age, they are still likely to be using prepaid cards and debit cards (see the Middle School Toolkit for more on these). But they may be getting more curious about credit and charge cards. Under the CARD Act (the Credit Card Accountability, Responsibility and Disclosure Act of 2009), kids can't get a credit card before age 21 unless parents co-sign or they can show they have the income to support it. However, sometimes parents allow kids to use their cards. If you're going to allow your child to do this, it's important they understand it's possible to get into hot water with credit cards (that they can't get into with a prepaid or debit card) because they can spend money they do not have.

EXERCISE: CAR COSTS 101

According to our survey, some 45% of kids age 13-18 and 55% of those 18-22 believe understanding the cost of car ownership is one of the most important financial topics you can cover when talking about money. Play *The Price Is Right* and discuss the costs of car ownership/usage. (Even if kids aren't getting cars of their own, they should understand the costs associated with using yours.) As you move through these points, talk to your kids about whether they think these are reasonable or not, how they can come up with the money, and what you expect from them in terms of a contribution.

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What's the average cost of a new car in the US? \$28,400.
You'll have to pay sales tax on that. Say it's 7% — that adds another \$2,000.
Title and registration add another \$426.
The monthly payment on that over 60 months at an interest rate of 6% is \$595.

What's the average cost of a used car in the US? \$8,244.
Sales tax on that at 7% is \$577.
Title and registration is \$124.
The monthly payment on that amount over 60 months at an interest rate of 6% is \$172.

START BY ASKING: "Should you buy new or used?"

ANSWER GUIDE: Ask your kid about how much they will spend on gas. How much do they need to drive each week? Most cars get 20 miles to the gallon. So divide the number of miles by 20, then multiply that by the price of gas at a pump near you. That's about how much they'll spend per week.

Average cost of maintenance per year is \$652.

Average cost of insurance for a teenage girl: 50%-100% of your current insurance bill.

Average cost of insurance for a teenage boy: 100% of your current insurance bill.

Every year that you don't have an accident the prices go down substantially.

FUN FACTS

Do you know a car has three different prices?

The **Base Price** is the cost of the car without options (i.e., not loaded) but with the standard equipment and factory warranty.

The **MSRP** is the manufacturer's suggested retail price which includes various options and is stickered on the car. This is not the price you pay.

The **Invoice Price** is the price the car manufacturer invoiced the car dealer for the car. This is where you start your negotiation. You can find all of these prices on the internet.

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TALK ABOUT: BANKING AND WAYS TO MANAGE MONEY

Half of kids, according to the PASS from American ExpressSM and Money Night survey, say asking their parents for money is “embarrassing.” More than half say it’s “a hassle.”

Parents are concerned that their kids may lose large sums of money. And no one in the family — kids or parents — feels walking around with too much cash is safe. An account at a bank or credit union is one of the solutions.

There are many different types of bank accounts. *Savings accounts* pay interest (though not much these days) on the money you deposit and generally don’t require you to maintain a minimum balance. *Money market accounts* are extreme savings accounts. They usually pay a little more in interest, though they do typically have minimum balance requirements and charge fees if you fall below them. They may also allow you to write a few checks every month. *Checking accounts* don’t typically pay interest (some do these days but that’s not the norm). You deposit money and then write checks to pay your bills. You also can get a debit card, which you can use to pay for things at checkout or to pull money out of your bank account at any ATM or automatic teller machine.

A checking account is what you want for your child. Go to the bank together and open your child’s account at your bank so that it can be linked to your account (that will allow you to keep an eye on their spending patterns). Get the debit card that goes with the account, but make sure your child does not opt into overdraft protection. You want your kids to be turned down at checkout if they’re out of money. Show them: how to use the ATM (they probably already know from watching you, but they may not know about the fees for using machines not associated with their bank); how to monitor their accounts online; and how and where they can use the debit card at checkout. You can also discuss how much they should take out of

FUN FACTS

Parents Believe Kids Have Saved: **\$1,250**

Kids Actually Have Saved: **\$1,120**

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the bank every week or two for walking around money — and how to make that money last.

Finally point out that banking online can be a great way to help protect them from identity theft. Why? Because people who bank online look at their money four times more often than people who don't. And it turns out just looking at your money regularly is one way to recognize when something is amiss.

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