
TALKING POINTS
MIDDLE SCHOOL STUDENTS
PRESENTED BY JEAN CHATZKY AND PASS FROM AMERICAN EXPRESSSM

INTRODUCTION

You'll want to start by explaining to your kids that tonight, you're going to talk about money. This works best if you have a captive audience. Consider doing it around the dinner table. Or, if you're driving home from one activity or another, the car will work. Or, just turn off the TV, give them a break from homework, and ask for their attention.

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. You learn a lot in school about academic subjects, health, even saying no to cigarettes and drugs, but you don't learn enough about money. And you need to know how to handle money if you're ever going to be independent and live on your own. You need to know how to handle money if you ever want to own a car or buy your own house. So we're going to spend a little time talking about it. 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 this is really important."

QUESTIONS TO ASK YOUR KIDS AND TIPS ON HOW TO ANSWER

START BY ASKING: "LET'S START WITH A REALITY CHECK. HOW MUCH DO YOU THINK IT COSTS EACH MONTH TO PAY OUR BILLS? HOW MANY BILLS DO YOU THINK WE PAY EVERY MONTH?"

ANSWER GUIDE: Have the cable bill — or whatever bill(s) you choose to share (grocery receipts work, so does a cell phone bill) — at your side. Show them the breakdown. Ask them if they think that's higher or lower than is reasonable. Kids have no idea how much basic conveniences cost, yet these are the things they most want to know. They want to understand how much it would cost them to set up an apartment on their own with all the conveniences of home. At the end, take a few minutes to add up the cost of all the bills you pay each month. You may also want to look at the cost of a single bill, like cable, over the course of a year.

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START BY ASKING: “IF I GAVE YOU \$20 RIGHT NOW, HOW MUCH OF IT WOULD YOU SAVE, SPEND AND GIVE AWAY?”

ANSWER GUIDE: Explain to your children that there's no right answer. The way they answer it is going to depend on their wants, needs, goals and values. So before you give them a chance to jump in, take a few minutes to talk about how the family views each of those things. Spending, of course, seems like the most fun because you get things you want. But there's a difference between the things you want and the things you need, and it's important to understand where that line is. Saving is in many ways more important than spending. When we save — putting money away for the future — we're paying ourselves. Explain to them the wisdom of saving before you spend, essentially paying yourself first, so that you'll always have money for emergencies, college, retirement and the things you want to do tomorrow. Talk about how your family gives back. Giving doesn't have to mean giving cash or writing checks. One great way for teens to give back is to volunteer. Another is to donate the belongings they no longer want to organizations that need them, or sell those items and donate the cash.

START BY ASKING: “WHAT’S THE VALUE IN GOING TO COLLEGE?”

ANSWER GUIDE: Your children, I'm sure, are used to you expressing your desire for them to continue their educations and earn college degrees. But, do they know why you feel that way? This is a great time to explain that college is an investment that you're making in yourself. Yes — tuition can be expensive, but in general you get that tuition back in salary over your lifetime. Did you know that the average family income that is headed by someone with:

No High School Diploma is \$31,300.

High School Diploma but no College is \$51,100.

Some College but no Degree is \$68,100.

A College Degree is \$143,800.

Source: Federal Reserve, Survey of Consumer Finances, 2007.

Why the difference? The salaries for jobs you can get with a college degree are higher than those you typically get without a college degree. And education not only helps you start earning money, it helps you keep earning money. The more school you've finished, the less likely you are to lose your job in a bad economy.

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THE LOWDOWN ON PAYMENTS

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 used to pay for things, but 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, you spend down 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 your child’s age, they will most likely be using prepaid cards or debit cards. Some prepaid cards charge annual or monthly usage fees, along with other fees. You’ll want to know if there are fees on the card before they start using it. With debit cards, you generally pay a fee for pulling money out of an ATM not owned by your bank. The other fee to watch out for with a debit card is an overdraft fee — which is assessed when they try to spend more than they have. Avoid this by not opting into overdraft protection when you open the account.

EXERCISE: LET’S SET SOME GOALS

Talk about the fact that we all have financial goals. There are short-term goals that we can accomplish in under a year, medium-term goals that take several years, and long-term goals that can take decades. Ask your kids what their short-term, medium-term, and long-term goals might be. If they have trouble getting started make some suggestions: A new skateboard, a car, college. Then share with them some of your own goals as parents. Maybe short term you’d like to make an extra mortgage payment every year so you can pay off the house earlier. Medium-term, you’d like to renovate the kitchen. Long-term, you’d like to retire. Some goals — like a family vacation or college — may be joint goals, shared by you and your kids.

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Then ask them to pick one of their goals and figure out how they can achieve it. For example, if they want to buy a new bicycle and it costs \$300, how could they get there? Walk them through it by breaking it down.

\$300 is a lot of money.

But what if you could save \$5 a week — how long would it take you to get there?

What if you could save \$10 a week?

How about \$15?

Explain you do the same with your own goals. If you want to make an extra mortgage payment every year and that's \$1,500, you don't think of it as \$1,500.

It's \$130 a month.

Or \$58 a paycheck (if you get paid every two weeks).

Or \$29 a week.

Then ask, "How could we come up with the money to pay for your bike or our mortgage?"

You want your children to contribute suggestions of ways the family could earn additional money, spend less money, and save more money. But here's a list of suggestions you can throw out to get them started:

- Have a garage sale. Ask, "What could we sell? How much do you think we could earn?"
- Take the bus to school instead of driving. Ask, "How much do you think we'd save on gas?"
- Fill water bottles at home instead of buying them from the machine or the supermarket. Ask, "What could we save in a year?"
- Get rid of the cable channels no one watches. Ask, "Would you be willing to do that? Do we even need TV — could we watch programs on the computer?"
- Stop spending money on snacks (them) or coffee (you).

TALK ABOUT: AN ALLOWANCE

Although many kids in the US receive allowances, a lot of those allowances aren't given in a way that helps parents (who want the cries of "please buy me this" eliminated) or kids (who need to learn how to handle money). How do you give an allowance that solves these problems?

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1. Set responsibilities. What do you currently pay for your kids that they could/should pay for themselves? Snacks? Movie tickets? Contributions at church? Lip gloss? Make a list here.
2. Set an amount. How much money each week would be sufficient to cover those things? You don't want to cover more than they need — in fact, a little less is better, so they can work to earn more. That's your starting allowance.
3. How and when will you pay? Payday has to be set and you have to stick to it. Otherwise kids learn that they don't have to pay their bills on time. This is why I scheduled electronic transfers to give my kids their allowance weekly on their debit cards — and now I'm never late. Some prepaid cards also let you set-up automated reloads, helping make the allowance process easier.
4. Is work involved? I don't feel you have to tie an allowance to chores — you can, but if you do, you can't give the allowance if the chores haven't been done, not even once. Then your kids will never do them again. I do, however, believe that working to earn money is very important. Encourage your children to look for work outside the home or consider paying them to do things you'd pay outsiders to do (like wash the car or shovel the snow).

FUN FACTS

Percent of teens who have sold their belongings to make extra money: **25%**

Percent of parents who are aware of it: **10%**

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