

Budget basics for teens and young adults

Here are some tips on how to teach teens and young adults about money.

As kids grow older, their financial needs – and their opportunities – grow more complex. If you have done the groundwork and taught your children the benefits of budgeting and saving, it will be much easier to talk to them about managing their finances in their teens and beyond. Teaching good money management early will help them make informed financial decisions over the long term.

A reason to save

For many teenagers and young adults with part-time jobs, spending their entire pay each week is easy if they don't have pressing financial obligations. This is why it's important to discuss long-term goals and find a reason to budget and save.

A simple demonstration of how much they would have after 12 months if they put away 20 per cent of their pay each week will help motivate them to stick to a budget.

Perhaps their long-term goal will be a car, holiday with friends or higher education – or even a rental bond if they want to move out. Urge them to use a picture of their goal as their phone's wallpaper to keep them on track.

Make sure you emphasise that they will still need money after the purchase, either for running costs or to be able to enjoy their social lives, so they shouldn't blow the lot.

Budget benefits

The envelope method is a great way to teach teenagers and young adults about budgeting. Label real envelopes – or use tags in an app – with categories such as clothes, nights out, public transport, phone bill, food, and university or school supplies. These should cover all their current expenses. Then allocate money to each envelope every pay day.

They can also use [MoneySmart's Budget Planner](#) to help them work out their goals and how much to allocate to each envelope.

A handy budgeting formula is the simple 50/30/20 rule: urge them to dedicate 50 per cent of their pay to bills (if they don't have many, they could reduce this amount), 30 per cent to fun activities and purchases, and 20 per cent to savings. This will get them into the habit of planning their spending rather than just tracking it.

Tracking is still important though. Young adults should put their receipts and bills for the week in a folder, or use an app such as [TrackMySPEND](#). Then, when they check their financial situation each week (a good habit to get into), they will see if they are spending too much in a specific area, such as phone bills.

Get advice

These budgeting strategies eliminate the habit of living from pay day to pay day, and starting to budget and save money toward building a nest egg for their future.

A visit to your financial adviser with your child may also help them develop good money management skills.

Your RI Advice Financial Adviser will work with you to develop a financial plan that's specifically tailored to your needs so get in touch today.

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