

Can I Teach My College Kid to be Money-Wise?

Janet and Ron's daughter, Kristen, recently began her first semester at an expensive private college. To make sure they're all on the same page about money, Janet and Ron offered her these ground rules for managing her finances.

Stick To a Budget

Kristen's parents helped her develop a monthly budget that earmarks some of the income she'll earn from her campus job for necessities such as school supplies. The budget also provides spending money from Kristen's own savings for clothes and snacks for late-night study sessions.

Set Goals

The parents want Kristen to take steps toward self-sufficiency, so they helped her set savings goals to pay for other big-ticket items, such as a spring break trip. But they are willing to assist Kristen financially. For example, they offered to pay for half the price of a used car and include Kristen on their auto insurance policy.

Minimize Credit-card Use

When Janet and Ron set up a personal bank account for Kristen's 18th birthday, they co-signed for her credit card. Credit cards are a great way for college kids to build up their credit history, but missed payments and high balances can get a young adult's credit score headed in the wrong direction. To help Kristen develop good habits, the parents advise her to use her debit card for most purchases and reserve her credit card for emergencies.

Open an IRA

Janet and Ron are also encouraging Kristen to start thinking about saving for her future. Indeed, the tax-deferred, compounded growth potential available in accounts such as IRAs can do wonders for even small contributions over time.