

Parent Pump Radio Interview: Teaching Your Teens About Money

by Annie Margarita Yang

Pump up the volume on your parenting with Parent Pump Radio. Tune in to something different that makes a difference. At Parent Pump Radio, instead of a ripple, we choose to create a splash. Get energized, get inspired, and get informed with how to parent in the new millennium with your host and parent coach super guide, Jacqueline T.D Huynh.

Jacqueline: Hi. This is Jacqueline T.D Huynh. We're here to pump up your parenting skills, pump up your knowledge, pump up your energy. Welcome to Parent Pump Radio. Our show is available on iTunes, Google Play, and Stitcher. Be sure to subscribe to our RSS feed so you'll be automatically notified of new shows. If you're looking for a speaker for your organization or event, please go to my website at www.integrativeminds.com to learn more about what I offer and contact me at info@integrativeminds.com to schedule a meeting time. The website and the email is in the show notes and be sure to join us for our monthly family financial freedom workshop live in the city of Torrance, California. Or you can live stream it on our integrative minds Facebook page. This workshop as well as our theme for 2019 on Parent Pump Radio is geared to help families learn, act, and implement strategies to become financially free, so all the information is in the show notes. Let's get going and talk to our guest for today. She is a financial advocate you can trust. She graduated with a BA in communication and published the book *1001 Ways to Save Money: Quit Flushing Your Hard-Earned Money Down The Toilet*. Her mission is to empower you to reclaim your power and transform your life into a financial success. She teaches goal setting and smart financial decision making with her newsletter and YouTube channel. She also offers bookkeeping services catered to real estate investors nationwide to assist in building their wealth. So ladies and gentlemen, I'd like to introduce you to my guest today, Annie Margarita Yang. Hi, Annie.

Annie: Hey, Jacqueline. Thanks for inviting me to your radio show.

Jacqueline: Thank you for being here. You have very informative information to help our parents and their children and I'm so happy that you're coming on the show to do that.

Annie: Thank you.

Jacqueline: Tell us a little about you. What got you started in doing this and why is it so important to you?

Annie: What got me started doing this was my own personal journey. When I was a teenager, I decided I wouldn't go straight to college because I couldn't afford it and my parents weren't willing to pay. After

I graduated high school, I worked a string of minimum wage jobs and I wanted to make sure that I had enough money saved up to move out of my parent's place, which is why I started learning a lot about personal finance. I saved between 25% to 50% of my income with every single job and in two years I was able to save up \$13,000. I moved out. I did not depend on my parents anymore and people wondered how I did it and that's when I started the conversation with my coworkers like, "Well, how much do you make? How much have you saved up?" It turned out that even though my managers made at least double what I made, technically my net worth was much higher than theirs and I was much younger than them too, which is why I decided that I want to help people learn how to manage their own finances so that they could also become financially independent and free to make any choice that they want to make and to pursue their passions too.

Jacqueline: Yeah, well, one day these kids are going to have to be on their own because there are very few parents who are going to be able to take care of them until the day they die, so it's really important. Getting to that, why do you think parents should be teaching their kids because maybe it should be the school or maybe the kids should be learning on themselves.

Annie: First of all, schools do offer personal financial education depending on which state you're in. When I was in Texas, they offered it, but the kids weren't willing to listen because they're already biased towards their teacher. Their teacher is good for nothing. They don't know anything about life or they just don't respect authority. Even if you gave them good financial advice to follow the rest of their lives, they're not going to listen, right? The curriculum in the school was actually very boring. It's textbook style and it doesn't relate to real life. It doesn't show them like, okay, you got your first job, you're 16 years old, this is what you do. You save 10%. It teaches them instead about compound interest and insurance. Things that aren't really relevant to them now while they're 16. Do you understand?

Jacqueline: Yeah, definitely.

Annie: If parents don't deliberately teach their kids about personal finance, about how to manage the money, then the kids simply learn by watching their parents. Some parents might sublimely teach their kids, well, you can't afford anything because every time the kid asks, "Hey, mom. Can you buy this for me? Sorry, we can't afford it." That's what you're teaching your kid. That money's always tight and they can't afford it.

Jacqueline: Well, for some family maybe it is tight. How would they convey that in a way where it's not a fear base?

Annie: You could either tell the kid realistically, "Hey, this is how much we are bringing in." Just be very frank, transparent, honest, like this is how much mom and dad make and it just doesn't fit in our budget right now, but it might fit in our budget in the future. We could set aside maybe \$50 a month for you and then in a year we'd have \$600 for something like this, but we can't buy it right now. They can't always say, "Sorry. No, we can't afford it" because that's not the truth. I believe you can afford

anything.

It's just a matter of prioritizing and even if you can't afford it right now, if you put even \$25 towards it today and then \$25 next month, maybe a year from now, you could afford it. Two years from now, you could afford it. Just not right now.

Jacqueline: That's a really good point because somehow people will find a way. If their car breaks down, they'll find a way to get the money to fix it because you have to.

Annie: Yeah, I mean they might borrow the money from someone and pay.

Jacqueline: If it's important enough, then you'll find a way. It's not that you can't afford it, it's just that item is not important enough right now to purchase. Like I've read Robert Kiyosaki's book, "Rich Dad Poor Dad" and I had parents probably who had more of the mentality of the poor dad. What do you think about parents who have that mentality? Who are trying to teach the kids the same thing and then I wonder should they be teaching the kids that mentality?

Annie: Well, what's the poor dad's mentality?

Jacqueline: The poor dad is more of like you need to go to school, get a job, and hope they have a pension so that you can retire.

Annie: Actually, personally I think it's okay for parents to teach that kind of mindset, go to school, get a job because everyone has to start from somewhere. You don't just go straight into starting a business and building wealth. You have to get a job, save up the money, and build a capital. Actually, it's kind of good advice. Do not spend your money on things that depreciate in value like a car. You're just losing money on a new car. \$5,000 out the window the moment you drive it off the lot.

Jacqueline: Yeah, the poor dad mentality is more of a consumer mentality as opposed to an investor mentality.

Annie: You could still be low income. I believe you could be low income or middle-class. You don't have to be upper class and still teach a good mentality to build wealth. It's about building capital. It's not about income. Income definitely helps you build capital but building capital is a completely different concept.

Jacqueline: Yeah, and that's a completely different knowledge that you need to access to teach your children. Then how do you get your spouse or your partner on the same page?

Annie: It's a conversation you'll have to talk about. I don't know how other people deal with their spouses and I personally don't have kids yet, but what I need parents to hear is that if a kid asks, "Hey, mom. Can you buy this for me?" Don't just say, "Ask dad" and then dad will say, "No, ask mom" and then you go back to mom and mom just says, "Yes, dad says no." You cannot do that in front of the kid. You have to have boundaries set in place beforehand. You have to have expectations. You have to talk

over that with your spouse before anything. That's what I want the parents to understand and another point to make is that you and your spouse have to agree on lifestyle so you don't just teach by talking. You teach by doing, right? You don't teach kids how to live below their means when you live above your means, so you and your spouse both have to save money and pay off your debt every month. You have to be on the same page to begin with, not just with the kids.

Jacqueline: Yeah, they say it's the doing that is really more important because you can talk all you want, but if your action speaks something else, that's what the kids are going to see. Let's talk about allowance because many families give their kids allowance. What's your take on that and how can we tie allowance to help kids learn more about finance?

Annie: I think parents shouldn't give an allowance just to give an allowance. It should be tied to doing chores or doing work around the house. It should be tied to just in general work.

That way you teach them when they grow up, you earn money by going to work. You earn money by doing a job. You earn money by providing value to other people. You don't just earn money sitting there playing video games and I have this system that I recommend which is you make a list of chores, right? For example, let's use three chores washing the dishes, mopping the floor, and doing laundry. You could tie an individual amount for each chore. If the kid mopped the floor this week and that chore was worth \$2, you'd give the kid \$2. If washing the dishes every single night was \$1, then if they did it five times that week, they get \$5. You tie it to the chore that they did and how often they did it.

Jacqueline: Now, what about extra because doing chores are things that are just necessary that we all do? Do you suggest giving more money if they do something extra above and beyond the regular housework?

Annie: Yeah, you could give them a bonus. It could be just a one-time bonus.

Jacqueline: Okay. Then what advice do you have on teaching teens how to manage their allowance money now that they got it?

Annie: I actually coached my own sister who was a teenager at the time I'm doing this. I opened up a checking account for her at the bank and I told her. Well, she got \$20 a week, right? That's \$80 a month and I told her, you're going to have to set aside 50%. I'm kind of extreme, but I think as a teenager you don't need as much money as an adult. If you can encourage them to save a lot while they're still young, they could save a little less being a bit more moderate as an adult, but it's still a healthy habit to have. I told her every month take your \$40, go to the bank, and deposit \$40. You're not going to touch it. Don't ever touch it and she would have \$40 in cash left over to spend on whatever she wanted.

Jacqueline: Then what about giving charity? Should there be any part of that that they should use also to give to the needy or something?

Annie: Yes, I think they could give a portion. You could give 10%. The percentage amount will be

different for every parent in terms of their values and the values that they want to instill in their own children, so you could follow the standard like 10% for just in case. 10% towards the charity and 10% towards whatever goals you have, whether as a kid you want to save up for this toy or you want to buy a car when you're 16 years old, something like that.

Jacqueline: Yeah, good point.

Annie: The percentage will depend on the parent.

Jacqueline: You told me a really kind of funny but reality check story about your sister regarding sales tax and tips. Can you tell that again because we forget because we do this all the time?

Annie: No one ever taught my sister about eating out at a restaurant because my parents cook at home all the time. So one day my sister went to the restaurant with her friends and it was her very first time she had \$20 in her pocket and she ordered a meal for \$20. She didn't realize that she had to pay sales tax. She was like, what's that and she had to pay tip. Her friends paid for the sales tax but didn't leave a portion for the tip and she felt so guilty. Coming home she's like I didn't leave her 15% for tip. I think this is one of those things where you have to deliberately teach your kids about money. You don't just expect them to know.

Jacqueline: Yeah, and almost have them do it too when they're with you. I think tax may be obvious because wherever they go to buy something they get tax, but that tip part usually only happens in the restaurant and as parent's lot of time we're paying for the restaurant bill when they're out with us.

The tip is something that these kids definitely need to learn very quickly and how much of a tip and based on maybe if they're really great you might leave 20%.

Annie: You should also teach them that tip is based on the sub total not the total. Some kids don't know that. I had to learn that from my friends. I didn't learn that from my parents.

Jacqueline: Oh, you mean the total of that includes the tax, right?

Annie: Tip is normally based on the sub total before tax. It's not based on the total.

Jacqueline: Yeah, right. The total I bought.

Annie: Just not everyone knows that either. Even adults.

Jacqueline: I always thought double the tax. That's the tip.

Annie: That depends on which state you live in.

Jacqueline: Oh that's true. In California, that's what it is because it kind of comes out to about 15%. Let's talk about progressive bills. What do you mean when you say progressive bill responsibility?

Annie: I think as your teenager grows older and if they get a job, if you give them an allowance, another way you can teach them how to manage their money is by having them take on more bill

responsibilities. You could start with a cell phone bill, right? There's a lot of prepaid plans out there that are fairly cheap but still good value in terms of they offer you unlimited calling, unlimited texting, and some data. For example, my husband, he uses Metro PCS. He's on a family plan and he pays \$25 for his share. I think a teenager can easily afford that if they get an allowance or they have a job. I personally paid a cell phone bill. It was \$10 a month. I paid per minute when I was a teenager. After the cell phone bill, you could move up to doing utilities.

Like contribute to a part of the electric bill or something like that and then once they turn 18, you could tell them, "Hey, if you're going to stay in my house and you're going to get a job, I do expect you to contribute to some of the rent." It doesn't even have to be a lot. It could even just be \$100 to teach them. They have to pay the rent, but you could give them a time. You could say you have six months live with us rent free. After six months, we expect you to pay \$100 in rent every month and you don't have to tell them this. If you want to go the extra mile with this, you could open up a savings account and take that \$100 they give you, put it in a savings account and then when they're ready to move out, you could say, "Hey, I put all the money you gave me into a savings account. I just wanted to give this back to you so that it could help out with your moving expenses." Something like that.

Jacqueline: I love the idea that you say progressive, so they're taking it on slowly. What age do you think we should start with this progressive bill and what's the first bill you think we should hand them?

Annie: Of course, the cell phone bill because cell phones are not exactly necessary. They're a nice to have. For a teenager, they could definitely pay for that on their own especially when I hear that some parents are still paying cell phone bills for their already out of college children. Start them off between 14 and 16 years old.

Jacqueline: Basically, when right around high school age then is when they should start paying.

Annie: Right around high school. Sounds like a good age to start them at. It's not that expensive if your plan is strict enough.

Jacqueline: Yeah, well if you have a family plan actually it's maybe about \$25 to \$30.

Annie: A lot of teenagers do get a job if you live in the suburbs, right? If minimum wage is like \$8, then take them only three hours of work to pay for it.

Jacqueline: There's going to be some tantrums I'm sure, but you just got to hang tight there and just stick to your limit.

Annie: The next one you can start them off with is if they have a car, if all of you bought them a car or handed them a car or something like that, then you could ask them to pay for their own auto insurance or their own gas.

Jacqueline: Auto insurance can be very expensive for teenagers though.

Annie: Or you could say you could contribute. You don't have to make them pay the full thing. Just contribute, pay a small amount that's reasonable to the amount of money that they're making.

Jacqueline: You talked about getting a job and buying cars. Then what's a way a parent can encourage kids to get a job so that they can buy things like a car and maybe even their college tuition?

Annie: It's a bit hard to motivate children to work because working is boring, you might not like your coworkers, and it's definitely a mandatory yet for this stage in your life, but you can encourage them by asking what is it that they always wanted to buy for themselves and it could be a huge ticket item for their age. It could be an Xbox or whatever that you always said no to, but they could buy for themselves and something like that. It could be even be a used car. A lot of teenagers want their own car. They like having type [inaudible] freedom and if they feel like it's their first step to being an adult, so that's one thing that they could learn to stave for and encourage them to get a job to do that.

Jacqueline: When you have to buy something with your own blood, sweat and tear, you seem to take care of it much better than if it was given to you.

Annie: Definitely. I'm a prime example. When I was younger, my parents bought me a brand new \$300 Sony camera for my birthday and I banged that camera around. I broke it. I definitely did not take care of it, but nowadays when I buy something expensive for myself, I make sure I don't even scratch it.

Jacqueline: Yeah, and especially a car. I mean, sometimes parents think that they need to give a brand new car to their child, but there's plenty of used car. I know my first car was used and I didn't have enough money until I got to college to save for it, but I definitely took care of that car very well. Let's talk about some actions that parents can do today to start because we talked about a lot of things. What are two things that they can do today?

Annie: The first thing that they can do is to come up with an allowance system that I was talking about earlier. Come up with the list of chores, maybe even some bonuses, and figure out how much money to dedicate towards each chore and how often you expect this chore to be completed. The second one is to go to the bank and open a checking and savings account for your teenager.

Jacqueline: Then they should be involved with that checking I guess.

Annie: They have to be involved with it. They have to be there for you to open it.

Jacqueline: I mean, outside of that, when they need to learn how to balance it and know how much is in there.

Annie: Yes, you should teach them that. If they're going to withdraw money from an ATM, it doesn't come out of thin air. It comes out of your checking account because apparently some teenagers think the cash is just endless.

Jacqueline: That's a wish that I wish may come true. There's a giveaway that you want to do. Can you

tell us more about this giveaway?

Annie: Yes, my giveaway is a chore chart to help you create the allowance system.

I already have a list of chores listed out and it's basically a document that you could adjust for yourself, customize it to your liking, but you don't have to do much work to change it and you can download it on my website.

Jacqueline: Okay. I would love that chore chart and thank you Annie for being in the show. Any final words, Annie?

Annie: Yes, I teach personal finance to adults too. This show that I'm doing right now for you is just for your teenagers, but I also help adults and if you're interested in learning more on how to help yourself, I do have a YouTube channel called Annie Margarita Yang.

Jacqueline: Okay. We'll have that in the show notes also, listeners. Well, thank you so much Annie for being on the show and sharing your knowledge. I've really appreciated.

Annie: Thank you so much Jacqueline for having me on your show.

Jacqueline: Okay. The quote of the week is from Tony Robbins, "The path to success is to take massive determined action." Annie gave you two action items to do. Go out and do it. Thank you listeners. Have a great week.

Transcribed by Maureen Wawira

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