

Parents Have Opportunities to Teach Life Lessons in Money

Parents who want to provide their teens with constructive lessons in consumer finance can use two exciting events in most young adults' lives to further their financial education: buying a car and planning a vacation.

Both events should involve researching costs, setting a budget, saving with the benefit of compounding interest, investigating financing options and credit terms and, ultimately, achieving the goal of a vehicle or a vacation.

AAA suggests the following approach whether the goal is an automobile or a trip:

1. Set aside time to meet as a family and talk about what your teen wants, when they want it, how much money may be involved and what financial resources may or may not be available. Discuss the costs of credit versus paying cash. If they are not already employed, your teen may need to find a job or start earning money doing chores for others. Perhaps they have a special skill they can use to earn money. If they are already driving a used vehicle, the trade-in or resale value may help cover the down payment.
2. Begin researching costs. If it is an automobile go to AAA.com/AutoMaker to research vehicle reviews and prices. Review AAA's [Your Driving Costs](#) to understand the full cost of owning and operating a car or truck. AAA.com also is a great place to find travel bargains. Trips aimed at older teens and adults to age 35 are available through AAA's partnership with Contiki tours. Cruises can be an excellent way for older teens and others to stay within a budget, although minimum age requirements or an escort of at least 25 years of age typically apply. For information on AAA tours and cruise packages visit a AAA Travel Agency or go to: AAA.com/Travel.
3. Set a financial goal that must be attained before the vehicle or trip is purchased. Some parents will match what their teens save or contribute a fixed amount if their teen saves an appropriate share of the expense. Others parents will expect their son or daughter to raise all of the needed funds. If a portion of the expense is to be financed, some AAA clubs may be able to help parents who are willing to co-sign a consumer loan. Be clear about who will be responsible for what.
4. Create a calendar indicating how much money must be saved each week or month in order to reach the goal by a specified time. Have your teen begin putting their funds into a deposit product geared toward saving. AAA offers certificates of deposit and money market accounts at higher-than-average market rates for savers via its relationship with Discover Bank. Use an online financial calculator -- such as the ones available for CDs and money market accounts at AAA.com/Deposits -- to show how much interest these deposits will generate by the time the goal is reached.

Understanding the value of compounding interest on deposits is crucial for all savers. This lesson can help teens understand the wisdom of saving for every major

financial event whether it's starting a family, buying a home, opening a business or retiring in comfort.

5. Meet regularly with your teen to review their financial progress. Once their goal is almost within reach start shopping for the new vehicle or meet with a AAA travel agent. AAA travel agencies will work with all travelers, although members are entitled to special discounts and benefits.

The buying process is exciting, but make sure your teen resists the urge to make a purchase before all the needed funds are available. This can be especially true when visiting an automobile dealership where the pressure to buy now can be especially challenging.

6. Once the financial goal has been met, teen travelers can put their spending money on a TravelMoney card available through AAA. This reloadable payment mechanism will not allow the user to exceed the funds available on the card, helping teens stay with their budget. And if need be, additional funds can be added to the card at any time. Since the card is replaceable if it is lost or stolen the unused funds can be recovered, helping to protect their hard earned savings.
7. When the financial goal is achieved, celebrate with a special meal or gift at one of more than 164,000 locations offering AAA Show Your Card & Save[®] [discounts](#). Teaching your teen the value of AAA membership is another practical lesson in consumer finance.