

# 10 THINGS EVERY PARENT SHOULD KNOW ABOUT FINANCIAL EDUCATION FOR TEENAGERS



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Here are 10 things parents should keep in mind:

## 1. Parental Responsibility

Parents need to acknowledge responsibility for educating their teens on this crucial subject and not delude themselves into thinking that this will be taught in school or college.

It won't.

This also isn't something that teens figure out as they go along. They learn painfully, by making expensive mistakes and losing out on valuable time and money.

The steps and actions parents take now to educate their teens about money will dramatically affect their teens' financial future.

*"It is only when you take responsibility for your life that you discover how powerful you truly are."  
- Allannah Hunt*

Parenting a teenager is like no other experience.

No article or book or 'teen expert' can adequately prepare you for what's in store — the roller coaster of emotions, the paralyzing worry as they navigate the twisted corridors of the teenage years and the overwhelming sense of feeling dated because you find it impossible to relate to anything they're saying, feeling or doing.

It's not a journey any parent comes out of unscathed.

Fortunately, there is one specific facet of this quagmire that we can help with — that of financial education, or teaching teens how to manage their money smartly & responsibly.



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## 2. An Early Start

The earlier parents start this education, the better, easier and more impactful it will be for their teenager.

This is because by starting early teens get more time to practice and internalize the learning.

It also impacts their habits, behavior and mindset at a formative stage when there isn't much 'unlearning' to do.

**"What's taught in youth, is carved in stone."**  
- Arab Proverb

## 3. Unconscious Incompetence

For teens, financial education is an unconscious incompetence.

They don't know that they don't know about money.

They have no idea how critical this skill is for their future success and wellbeing, so parents should expect some level of resistance to learning about it, especially when it's not something mandated by the school curriculum.

We need to take them on a journey from unconscious incompetence to unconscious competence. This is where they have internalized the knowledge and had so much practice that this skill becomes second nature to them.

**"If knowledge is power, knowing what we don't know is wisdom."** - Adam Grant



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## 4. Data Backed Studies

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There is a ton to data to prove that teens who take a financial education course are more likely to save, less likely to be compulsive buyers and less likely to max out their credit cards.

It's also helpful to know that they don't have to spend years learning this. Just 10 hours of a financial education course has been shown to positively impact a teens' spending and saving habits.

It also impacts their habits, behavior and mindset at a formative stage when there isn't much 'unlearning' to do.

**"If you want to be rich, you need to be financially literate." - Robert Kiyosaki**

## 5. Leave It To The Experts

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Just as most parents wouldn't teach their own teens to drive, it's also best to leave their teens' financial education to the experts.

There are 3 reasons for this:

Firstly, most parents haven't had formal training in this subject and so find it difficult to know exactly what and how to teach their teens. They also unwittingly pass on their money biases to their kids, which is unhelpful at best, and detrimental at worst.

Secondly, parents suffer from 'proximity bias'. Their kids are too familiar with them and tend to undervalue their knowledge and advice while being mesmerized by the same knowledge coming from someone else. It's frustrating but very true.

Lastly, parents can be reassured that the expert will cover all aspects of financial education thoroughly, without missing out or skipping over parts that are tough to teach or uncomfortable to discuss.

**"An expert is someone who knows some of the worst mistakes that can be made in his subject, and how to avoid them." — Werner Heisenberg**



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## 6. Expect Immediate Results

Parents should expect immediate results from their teens learning how to manage money properly.

Because what teens learn in a financial education program is situationally relevant, they should be able to use their knowledge to make smarter money decisions in everyday situations.

This competence they develop around the topic of money builds up their self-confidence, and this is a truly wonderful thing to see in a teenager.

Another effect, is that they are able to spot earning opportunities they otherwise wouldn't have noticed or considered, and they have the confidence to act upon them because they now understand how money works.

**"Self-confidence is the first requisite to great undertakings."** - Samuel Johnson

## 7. An Invaluable Meta-skill

A meta-skill is defined as one that informs every domain of life and governs one's ability to improve other skills.

Financial education does just that.

Irrespective of their teens' career choice, being good at handling money makes one better at any job, whether that job is that of a doctor, an athlete, or an entrepreneur.

It allows them to engage with functional expertise more effectively, thus acting as a force multiplier and proving invaluable.

**"The single biggest difference between financial success and financial failure is how well you manage your money."** - T. Harv Eker



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## 8. Avoid Gender Bias

There is a pronounced gender gap when it comes to financial literacy levels, with men outperforming women on every scale in almost every country.

And while there are a number of reasons for this, what we'd like to focus on here is the fact that parents tend to speak more to their sons than to their daughters about money and investing.

Teenagers are more likely to speak to their mum rather than their dad about money matters. Yet most women, even those who are highly successful and run their own businesses, play the 'ask your Dad' card, thus signaling that money is a man's domain.

Parents must be intentional about avoiding this gender bias.

**"Financial independence is crucial for a woman to step up, play full out and live a life on her own terms."**

## 9. A Precursor to Investing

Financial education is a necessary precursor to learning about investing.

Teens must first be taught the basics of personal finance — prioritizing needs, the cost of credit, inflation, compound interest, emergency funds and a whole host of other important concepts before they are allowed to delve into the tantalizing world of investing.

A failure to do so might put them in a financial tailspin, one that could potentially be dangerous, expensive and very hard to recover from.

A case in point is the tragic story of Alex Kearns who committed suicide because he mistakenly believed he owed a huge sum of money because of his investment losses on his Robinhood account.

By his own admission, on his suicide note, Alex said that in hindsight he had no clue what he was doing.

**"Risk comes from not knowing what you are doing." - Warren Buffett**





## 10. Have a Strategy, not Just Tactics

Giving teens an allowance, a credit/ debit card or making them use a budgeting app doesn't guarantee that they understand how money works.

There is no evidence to prove that teens who have an allowance are better at handling money than teens who don't. Similarly financial budgeting apps are only shown to be effective in cases where users are already financially savvy.

Allowances, cards and apps are all just tactics and for truly effective financial education, parents need to be strategic in their approach.

They need to focus on developing their teens' mindset, behavior and knowledge. It is at the confluence of these three aspects that teens can gain a holistic understanding of money and how to manage it better.

**"Tactics without strategy is the noise before defeat." - Sun Tzu**

We hope this list helps you understand the different aspects of financial education for teenagers and encourages you to take some definite steps in this direction.

It truly is the best gift you can give your teen, one that will pay rich dividends for a very long time.



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