



When your child leaves home, prepare them financially

PERSONAL FINANCE

BY DANIEL COHEN

Eighteen years have passed since the first of our four children was born. This summer she left for college, and like many other parents, we feel that the time passed so quickly! Every milestone — first crawl, first steps, first word, leaving for kindergarten — is anxiously anticipated, especially with the first child. Even while baby is still in the womb, milestone moments are remembered.

Preparing ourselves for children and being good parents is a major undertaking. With all our parental responsibilities, both financial and nurturing, sometimes overlooked is the role we parents have to prepare our children to be financially independent young adults, especially once they have left the home.

Whether your child is off to college, trade school or immediately entering the workforce, they need to be financially prepared. Some parents will pay all the bills for a child in higher education while others have their child assume some or all of the expense. Either way, there are lessons to be learned leading up to and during those years that will prepare your children.

Responsibility lessons

All students would be best served by paying monthly bills on their own. Even if you as parents give them all the funds, let your child write the checks for each bill and learn to handle a monthly budget. This will give them a sense of responsibility, empowerment and experience that will serve them throughout life.

Work experience is very important during the high school years and especially the college years. Almost any work experience is a great learning opportunity. Obviously, money from work covers expenses like rent, utilities and food if not covered by parents or a financial aid package.

But even for those that don't need income from work during high school or college years, work experience will teach important lessons in responsibility and business in general. Understanding the value of money and how many hours of work are needed to buy things is a great way to separate the needed items from the wanted items in a shopping list.

As the oldest of our children turned 17, we bought a car for her to use and share with her younger siblings as they reach driving age, and we expect each of them to work for gas money, maintenance and any unexpected speeding or parking tickets.

Our first got a ticket, paid the fine, lost her license for a month, then begrudgingly paid the state to reinstate her license. She learned an important lesson from that experience. In her college years, we are paying tuition, room and board but anything more like entertainment is coming from her earnings or savings. There is no single formula that will work for everyone, but having your child participate and be responsible for recurring expenses provides character-building value.

When the choice is college

Beyond the financial lessons, college-bound students should be thinking ahead but understand they are not expected to know where they will work or what their area of expertise will ultimately be. They do need to understand why they are attending a higher education institution. A key goal is to find the right field to enter.

Working on weekends during the school year and summer will contribute to their education and will enhance their learning in the classroom, particularly if they are working in their field of interest.

Working with and talking to experienced people in an industry of interest is important. Communication with co-workers or customers helps develop life skills. And full-time summer employment can give a deeper understanding of and exposure to business operations and possible career paths. Children entering college need to understand those years are a steppingstone to their own professional future.

Establishing and building credit

The college-age years are a great time to learn to responsibly build credit. Students are bombarded with offers to open credit card accounts as the banks know many consumers continue using their cards for decades once they are opened. Before applying for a credit card, a student might be better off using a debit card for a few years to develop the understanding of spending within limits. After being disciplined with a debit card, applying

for a credit card to develop a credit profile is valuable. Of course, late payments and high revolving credit must be avoided.

Eventually the college graduate will likely want to buy a car and a home, so building that credit profile is essential. Some graduates will be rejected for car loans or home loans even if they have a high-paying job because they have no credit score due to lack of credit history.

Since age 13, our oldest two children have been using debit cards to cover their own minor expenses. Our college student plans to apply for a credit card in her sophomore year. We also added her as an authorized user on one of our own credit cards, which will also serve to develop a credit profile for her. As mentioned, it's crucial to pay off the credit card every month and maintain discipline as if the credit card were a debit card.

Different paths to success

Some in college come from families with very significant means with tuition and expenses paid while others are there on full scholarships. Some of these students may not have to work to cover costs. But life's circumstances can change overnight. I entered college expecting to get a degree and go into my family's business after graduating, not expecting to be worried about the cost. After my freshman year, however, things changed, and I ended up needing to work multiple jobs to put myself through school. I also needed to develop a career of my own, eventually founding my own business.

While my college years presented financial challenges in our family, I received the greatest gift from my parents. They taught me treasured values including financial responsibility. I was able to find my own path to success and handle whatever financial challenge was thrown my way both during those college years and later throughout my career.

The college-age years are a time for learning and expanding horizons. They are a time to develop meaningful relationships that expand our social, business and career networks. When you share the right lessons with your children, you can be confident they too will find their own path to success. **NHBR**

Daniel Cohen, a certified financial planner, is CEO and chief investment officer at Cohen Investment Advisors, a registered investment advisory firm in Bedford.