



Five Things Every High School Student Should Know About Money

As a high school student, you're no stranger to learning. You sit through your classes every day—hopefully mostly awake—then head home for an evening of homework, lessons, and practices. Between all the math formulas, historical dates, and Shakespeare soliloquies, it's a wonder that it all fits inside your head. And while it's a lot, there's one thing that you might not be learning enough of in school and it's a subject that, for better or worse, is going to be an everyday part of your life for a very long time to come—money!

If you can learn a few important money lessons now, you might just avoid some pretty painful mistakes and, instead, put yourself on a path toward financial independence. To get started, be sure you understand the five lessons listed below before you finish high school!

Earn (and Learn)

The first lesson might seem obvious, but it's an important one. Every financial journey begins with earned income. To accomplish every other goal, and to achieve independence, you'll need your own source of money. What does that mean exactly? You guessed it—a job. When the time is right, go find somewhere to apply your talents and skills in exchange for other people's money.

One word of warning—don't let earning money become your only focus. When the cash starts coming in, you might be tempted to prioritize earning above other things in your life. When you're young, however, you need to balance earning with learning. Education has been proven to increase your earning power in the long run, so be sure to keep working hard at school and to consider college or trade school when you graduate. Schoolwork might seem like a distraction from your ability to earn money right now, but it will pay off in the long run.

Spend Responsibly

Of course, once you're earning your own money, you'll probably feel justified in buying yourself a few things here and there—and that's great! Just remember, it's easy to get carried away, and overspending is one of the fastest ways to destroy your financial progress. Today, with social media, advertising, and other influences, there's a temptation to overspend, overconsume, and to look for happiness on the shelves of your favorite store. Just remember that media isn't real life and you don't need all the things you see being sold!

At the most basic level, the math is easy—don't spend more money than you earn! To help keep your spending under control, track your expenses (money going out) and keep a budget, or a plan for where you'll spend your money.

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Save, Save, Save

Once you've mastered the ability to spend less than you earn, what do you do with the difference? This is where financially successful people really shine—they save their money! To get started, grab your parent or guardian and head to the local credit union or bank to open up a savings account where you can deposit the money that you don't spend. In the account, your money will earn a little bit of interest (money the bank pays you to use your savings) and your money will continue to grow.

While you don't need a specific reason to save, eventually, you may want to use your stored-up reserves to pay for college, as a down payment on a car, a rental deposit, or even a home mortgage. But just as importantly, it will give you some peace of mind the next time your life plan hits a bump in the road.

Mind Your Credit

Credit is probably the most complicated concept you need to understand right now. Your credit is what credit unions, banks, and others use to decide whether or not they want to loan money to you. Your credit worthiness is reflected as a credit score, or a number used by lenders. That might not mean much to you right now, but as you get older, you'll almost certainly need to borrow money to buy a car, go to college, buy a home, or to get a credit card. The better your credit score, the easier it is to borrow and the better your rate (or the cost of borrowing money) will be.

The credit bureau comes up with your score by watching your borrowing activity, which means you can start doing the right things early on to keep your credit score high. At your age, you don't have loans, but you might be able to get a credit card as an authorized user on a parent or guardian's account. As an authorized user, you don't even have to use the card. You'll build credit as long as your parent or guardian is using their card and making payments on time.

As you do get older, it will be very important to pay all of your bills on time and to never spend irresponsibly on credit. Credit can be a powerful tool, but it can also make it hard to achieve financial goals if you abuse it by borrowing too much and by missing payments. When you're old enough to have your own credit card or loan, be sure to make your payments regularly and on time. As you do, you'll continue to build a track record of responsible credit use and a healthy credit score.

Start Investing

The last lesson is something you may not be able to do right away. As you continue to earn and save money, however, you'll have the chance to invest, which means putting your money in places where you expect it to increase in value. Your bank or credit union can help you find accounts that will earn more interest income than your ordinary savings. You might also consider buying stocks (shares of ownership in companies), bonds (debts with a promise of repayment), or real estate (land, houses, buildings, etc.), which all have a good track record of increasing in value over time. Investing can be very rewarding because it can be a way to make money without working and, generally speaking, the earlier you start, the better off you'll be!

As a high school student, you have a lot to learn. As you're studying math, science, language and other subjects in school, don't forget to learn some basic lessons about money. Spend a little bit of time learning the simple lessons above and you'll be prepared to start earning, saving, investing, and spending responsibly by the time you graduate.

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