**Financial Considerations to Understand to Help Achieve Independence**

Part of becoming a young adult is preparing yourself as a teenager for independence both physically, emotionally, and financially. We will review some basic financial terms and concepts that you the teenager should be learning and understanding. First term to define is income. Where is the money coming from to pay the various costs and bills? Income can come from different sources.

Income:

- Your savings accounts in banks including interest on certain accounts (savings, checking, money market, etc...)
- CD's - special savings program with banks where persons receive a specific interest rate over a specific period of time for letting the bank borrow a specified amount of your money (i.e. $1000 getting 4% interest over 12 months)
- Income from job(s)
- Scholarship money including grants, awards, charitable groups and associations
- Loans from banks or private entities
- Investments -- selling stock, receiving dividends from certain stocks
- Money from generous family members

On the other side of the ledger sheet, a person needs to assess all possible costs that will consume the income. These costs can be one-time expenses and or recurring expenses. Here is a list of some common costs.

Costs:

- Rent (apartment or room & board of dormitory)
- Phone +/- cable bill
- Food (basic food plans, eating off campus)
- Social spending -- movies, clothes, tickets to concert/games
- Education
  - Tuition, fees
  - Books, school supplies, computer/iPad
- Gas for car
- Insurance -- car, renters (cover computer, stereo, TV, jewelry, furniture, etc...)
- Interest on loan payments
- Credit cards (various applicable interest rates)
- Car maintenance (tires, oil/air filters, oil change, AC maintenance, brakes, windshield wipers)

When possible you are trying to keep your costs down so you will have leftover money in savings to use as needed for future situations. If your costs are more than your income, you will be in debt. Debt means 'you are in the red.' Typically, you are in debt when you are taking out loans to pay for something such as tuition or a car. When you take out a loan from a bank there are three numbers to beware of -- principal, interest rate, and term of loan. The principal refers to the amount of the loan that you want to borrow i.e. $20,000. The interest rate is the amount the bank wants to charge you for borrowing the money. There are different types of interest rate loan plans but most student loans are at a fixed rate such as 5%-7%. The term of the loan is how long you have to pay off the loan -- both principal and interest accrued. So you eventually pay more than you borrowed. Ideally, you want to pay off the loan, if possible, faster than the term.

To help keep track of costs and income is to create a budget. A good practice is to start in high school monitoring how much it costs in gas per week to drive to and from school, how much it cost buying lunch weekly at school, and how much you pay on your social outings. Do it for 3 months to start getting an average of typical recurring costs. At the same time start monitoring your income -- job(s), allowance, birthday gift money, etc... How long does it last and do you need your parents to help you out and by how much? So if you are noticing that you need to frequently ask your parents for money in addition to your current income, then you need to start looking at your costs to see what you can cut back. Do you bring lunch from home 3 days a week and go to Starbucks once a week and not daily as possible options to cut your costs. You can also look to see if you can add an additional paying job or project that you can increase your income especially over Christmas and summer breaks. This will hopefully help you prioritize what are needs -- things that you have to have -- versus wants -- things that are nice but not necessary.

The sooner you can understand these basic concepts and where your money is coming and going the better the chance you will achieve future financial independence as well as attain emotional maturity as a responsible adult.