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5 BASIC MONEY MANAGEMENT LESSONS FOR TEENS

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A study by the Organization for Economic Cooperation and Development found that the United States ranked No. 9 out of 18 countries in financial literacy among 15-year-old students, scoring eight points below the overall average. This poor performance, linked in part to literacy and math skills, may also be tied to the fact that most young Americans receive little or no money management education at school.

"Most teens these days do not have sound knowledge about personal finance, even when it comes to something as easy as the difference between a credit and debit card," says Gregg Murset, a certified financial planner and the founder and CEO of MyJobChart.com. "Apparently, kids are not being taught these important lessons at school, so it's up to parents to teach their kids personal finance."

Here are five ways to raise financially literate teens.

1. TEACH THEM KEY TERMS

"Since most kids aren't receiving proper financial education, many of them don't understand the basic meaning of many critical financial terms," says Murset. "Terms like credit, debit, APR [annual percentage rate], payday loans, national deb, and 401(k) are all things that kids should know before they apply for their first job. The important lesson here is that once kids have an understanding about what these words mean, then they can begin to apply them to real-life settings."

2. CREATE A VISUAL SAVINGS PLAN

Label three empty containers "gifts and charity," "savings" and "spendable money," recommends Bill Demaree, president and founder of Demaree Retirement Services in Indianapolis. With your teenagers, decide what percentage of the weekly allowance will go into each one so they can see the containers filling up with money. When the containers are full, he suggests handling each one differently.

"Have them take the 'gifts and charity' can and figure out what organization they are going to give this to -- say, their local church or their favorite charity," he says. "If it's local, have them go to the facility and donate the money in person, so they have a sense of accomplishment and better understand how their hard work went to benefit a greater good."

Similarly, Demaree recommends physically going to the bank with the savings container each month with your teens so they can see the account grow firsthand.

"The 'spendable money' will be the teenager's favorite opportunity," says Demaree. "Let them go to their favorite store and buy the item they've been saving up for, or if it's a higher-ticket item, put the money back in that container and let it grow until it's enough to buy the item."

3. TALK ABOUT CREDIT

When your child turns 18, this is a good opportunity to start talking to him or her about building credit and the importance of having good credit, says Tyler Tran, founder of Tran Financial in Azusa, California.

Tran recommends that 18-year-olds apply for a credit card after you discuss various card offers and interest rates. You should talk about the importance of building a good credit profile by paying the balance in full each month. If you cosign the credit card application, you should monitor the account to make sure the bills are being paid on time. Murset says parents need to make sure their kids understand the major differences between debit cards and credit cards, including benefits, percentage rates, security issues and liability if the card is used fraudlently.

"Kids see their parents using cards all the time for buying things but rarely see any payments being made," he says. "This can give them a sense that credit cards are just free money that adults get to use. As you explain how credit cards work to your kids, make sure you make it very clear that there is nothing free about credit cards."

4. SHOW KIDS THAT WORK REAPS REWARDS

Give your kids assigned tasks every day of the week, such as taking out the trash, vacuuming, loading and emptying the dishwasher, washing the dog, mowing the lawn or shoveling snow, suggests Demaree, and determine how much they will get paid for each task or week.

Murset says that while kids fully understand the spending part of the money equation, they need help grasping the earning, saving and sharing parts.

"Kids need to be given more structure either in the form of chores around the house or working in the community," he says. "While saving and sharing money may not be the most popular things for kids to do with money they earn or are given as a present, they are key components to strong financial health as an adult."

5. LET KIDS FAIL

"Let your child make a mistake with their money, spending all of their money on something trivial -- and then it's gone, and they have nothing to show for it," says Tran. "When the new video game comes out that they want and they have wasted their money on something else, it's a good lesson in saving and spending money wisely."

Parents can also share their own stories with their kids about personal financial failures and successes as part of their effort to educate their teens about money management. If you feel your knowledge about money is inadequate, you can reach out for personal finance tips for teens from a variety of sources, such as financial planners, banks and credit unions, and sites such as Mint.com and PracticalMoneySkills.com.

Bill Demaree, founder of Indianapolis-based Demaree Retirement Services, specializes in safeguarding and growing assets for clients in or approaching retirement, helping to meet their retirement goals. Recognized in Indianapolis as Your Retirement Guy™, Demaree has been helping individuals, couples and families transition from the accumulation phase of retirement to wealth preservation for more than 28 years.

For more information, visit www.demareeretirementservices.com.