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Should Parents Involve Their Teenagers in Big Spending Decisions?

One adviser says if done right, involving teens can be empowering and educational. Another says it's wrong to let kids think they have control.

Having conversations about money with teens is seen as a good thing. It's often the details that get debated.

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Big financial decisions typically affect every member of a family in some way. But does that mean everyone in the family should have at least some say in how the money is spent? That can be an especially difficult question when it comes to teenagers.

Here are two views on the question.

Lazetta Rainey Braxton, co-CEO at 2050 Wealth Partners in New York, says parents should actively solicit their teenagers' input. Michelle Perry Higgins, a financial planner and principal at California Financial Advisors in San Ramon, Calif., says teenagers shouldn't have a say in these decisions.

YES: If done right, it is empowering and educational

By Lazetta Rainey Braxton

As a parent of a teenager, I'm proud to say that my daughter hasn't ever heard me say, "Money doesn't grow on trees." It's an age-old saying used by parents to silence children who ask for money and believe it's readily available—and it's the opposite of the most effective way for parents to teach their teenagers sound money management.

To really learn how to manage money, teenagers need to be invited into conversations about big purchases. And to cement the lessons those conversations will teach them, parents need to take their input seriously and let them know it is valued. Parents who do this will benefit as well. In fact, they can learn some things from their teenagers.

Any decision that has a big impact on household finances is an opportunity for education, from buying a car to taking a vacation, from investing in education to purchasing computers and other tech gadgets. Making these decisions without input from teenagers sets the stage for them to believe that parents can and will take care of everything financially. With that background, when the time comes for teenagers to transition to adulthood, they experience financial shock. It's similar to a driver with no driver's education accelerating a car from zero to 100 miles an hour in five seconds.

Rather, let's ease teenagers into adulthood by not only exposing them to the process of financial decision making but involving them in it.

Here are some suggestions:

Believe that teenagers possess discernment. As parents, we often disregard our children's astute observations. We assume that teenagers' youth and inexperience renders them incapable of fully grasping the complexity of big financial decisions and their consequences. But teenagers have already seen a lot, and their ability to analyze on this score, while short of adults' capabilities, shouldn't be dismissed.

Once you recognize your teenagers' shrewdness, be prepared to listen to what they have to share based on their observations and experiences.

This approach allows wealth to be treated like a family business. Of course, the parents make the final decision, as the CEO would in any business. But giving your teenagers a seat at the table and demonstrating a genuine interest in their perspective will develop their confidence and engage them more fully, which will reinforce the lessons they learn from the discussion. And their input can help you arrive at the best decision.

If this is done properly, parents and children should eventually come to the same conclusion—or at least be abundantly clear on the diversity of opinion.

Candidly share the family budget and other considerations regarding a specific purchase. Give your teenagers insight regarding the family budget and what you believe the family can afford. If the decision is purchasing a car, for example, share your approach for deciding on which car to buy (new versus used, safety features, space requirements, etc.), the amount of money required for the down payment, and the payment terms (interest rate, monthly payment and number of payments).

Also, share how buying this car will impact the family's life. Will you have to postpone the family vacation because you've used savings for the down payment? Introducing financial trade-offs will confirm the idea that money is not infinite; you must prioritize its use throughout your life.

Wrap up the conversation with input from all parties. Ask your teenagers questions such as, "What are your thoughts?" or, "Are there other things we should consider?" Let them know that you value their input even though the final decision rests with you as the primary financial earner. Remind them that they will soon make decisions with the money they earn and that they can invite you to have conversations about money.

This empowering, collaborative approach to family financial decision making recognizes the value of diversity of thought and invites inclusion and belonging into the family business dynamic. Most importantly, it lays the groundwork for building and transferring wealth through sound judgment and actions.

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NO: Don't let kids think they have control

By Michelle Perry Higgins

When we consider the question of whether parents should involve their teenagers in big spending decisions, we need to be clear on the meaning of the word "involve." There should be a delineation between educating your teenager versus giving them the opportunity to have an actual say as to what purchase should be made. Teenagers should not have control over your spending decisions, or even much in the way of input.

One of the reasons parents tell their teenagers they are not yet adults is because the children are inexperienced in making difficult and sometimes complicated decisions, especially about spending large amounts of money. A good deal of research suggests that emotional and mental development, including development of the decision-making function, does not reach maturity for most young adults until their early- to mid-20s. This is especially true for young males.

The shiny sports car with the big engine is likely the vehicle of choice for a male teenager with no financial responsibility for buying the car or making the insurance payments. Teenagers typically are more focused on making decisions based on the emotions of the moment or what is cool according to their friends.

I am a huge advocate of educating your teenager about financial issues. These are critical years to lay the foundation for managing money, investing, and weighing choices that could affect their long-term financial health. But in no way should the process of educating your child affect your decisions.

To pretend that teenagers can give valuable input without really understanding the issues or having skin in the financial game is not helpful in preparing them. Such an attitude may, in fact, suggest that such decisions are so simple and inconsequential that even someone with no education on the topic and nothing at stake financially could make a valuable contribution.

And what happens when the parents consistently make decisions that ignore the input of their teenagers because that is the wise financial choice? What message does that send? Eventually, the teenagers realize that their input is not as valued as their parents pretend.

As a parent with two teenagers under my roof, I have several examples to share. My husband and I just helped my parents sell their home and purchase another one that is disability friendly. I walked my teenage daughters through the process of searching for a home within their grandparents' budget, completing the escrow process, understanding the flow of money from one home to the next and reviewing the additional costs my parents incurred by relocating. Nevertheless, we did not involve my daughters in deciding which home was ultimately purchased.

Another example of a learning experience for my teenagers was the rebuilding of our home that was destroyed in the Northern California wildfires. Through every step of this process, we communicated with our teenagers: dealing with our insurance company, working with an architect, hiring a contractor, and even budgeting the finishes and furniture. They witnessed many conversations surrounding the numerous financial decisions involved with rebuilding and I know the experience has been invaluable for them. However, at no time did I solicit their opinion regarding the financial decisions that were made.

SHARE YOUR THOUGHTS

Do you think parents should include teens in big spending decisions? Tell us why or why not in the conversation below.

It's my hope that parents educate their children financially from a young age. This starts early with the basics of learning to budget purchases based on an allowance. Gradually, the parents can increase the child's financial awareness by introducing them to various accounts such as checking and saving accounts, possibly even an investment account. During the teenage years, more-involved education can take place, like how real-estate transactions are conducted, or how cars are purchased.

If parents make it clear that they are discussing large purchase decisions with the intent of educating, not soliciting advice, then the teenager should not be disappointed that the car their parents decide to buy is a pickup truck instead of a hot new sports car. They will understand that it was not their decision to make and that their time will come to address their own financial affairs.

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