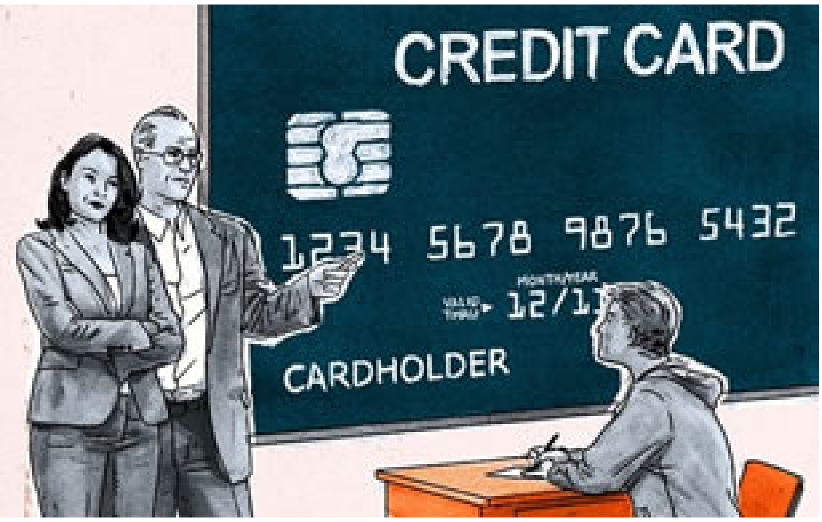

Turning 18 opens up a world of opportunity for your children. How well informed they are about new opportunities can make all the difference in their ability to make smart decisions. For many teens, opening their first credit card account is exciting. The freedom of not relying on Mom and Dad for money is alluring. However, children generally lack the foresight required to understand the long-term impact of having poor credit.

As parents, we are accountable for educating our children about using and managing credit long before they have to make credit decisions. This is why it's so important that credit and financial management be a part of the many life lessons you pass on to your children.

I've discovered with my own sons (ages 6 and 8) that kids are exposed to credit long before they even understand the concept. Recently, we were shopping and both of my sons, almost in unison, asked, “Mom, can you buy me this toy?” I immediately responded, “Do you have the money to buy this toy?” To my surprise they said, “Yes, but not with us – can we pay you back later?”

I immediately realized this was a teaching moment because my sons had a basic understanding of credit in terms of “*buy now and pay later.*” However, I wanted to make sure they fully understood the implications. This inspired me to continue the lesson at home where we could discuss things like interest and debt in a way they could understand.

There are a number of ways to begin teaching your kids about credit at any age. The first step is being open to talking about money and then introducing them to tools and resources that will help them understand basic to more-complex financial management topics. Here are a few tips to get started:

Define credit: I've found that using a dictionary is a great way to teach younger children new things. This way they get a basic understanding of the term (I also ask them: how do you spell the word; is it a noun or verb; can you use it in a sentence). Online tools are also useful in providing simple and concise information on credit.

Explain credit: Discuss what credit is used for (like auto and home loans and credit cards) and explain exactly how it works. Lessons on interest rates can help children understand the ramifications of the "buy now, pay later" concept. Outline the benefits of using credit wisely, and the pitfalls of mismanaging credit. Be direct about how credit impacts many areas of your life: employment, renting an apartment, or buying a home or a car. Ensure that they clearly understand the extent to which bad credit can impact their lives.

Provide examples: Be prepared for your children to ask whether you use credit, and be open to candidly sharing your experiences. Depending on your child's age, you can assess how much detail is appropriate. For instance, you might want to use a credit card statement as an example if you're discussing credit with a younger child. However, children in high school could benefit from you sharing your family budget and discussing more complex credit products like car loans and mortgages.

Discuss money management: Budgeting is an essential part of good credit management. Teaching your children how to track and monitor spending will help them to understand the importance of not spending more than what they earn – which can lead to the misuse of credit and ultimately credit dependency. This is another opportunity to provide realistic examples by sharing your family budget. In general, children should have an idea about household expenses so they can adopt *realistic* attitudes and behaviors regarding credit and financial management.

Teen accounts: Another way to help older children learn good money management skills is to open a checking account with a debit card. This way teenagers learn firsthand, while they are still under your guidance, how to track expenses and avoid spending more than they have. They should become familiar with online tools to monitor spending, and also get into the habit of manually tracking expenses. Having a checking account is a big responsibility, but it will help you in working with your children to make good financial decisions *before* leave home and are exposed to credit.

Children shouldn't be frightened by credit, but they should be well informed. Be open to having conversations about finances, and make credit management a part of the discussion. Need help doing it? Handsonbanking.org is a free, interactive tool that can help you and your child learn more about using and managing credit. Also, visit Wells Fargo's Smarter Credit center at wellsfargo.com/smarter_credit for free tools and information on establishing, managing and improving credit. Help protect the financial future of your children!

Michelle Thornhill is senior vice president, African American Segment, Wells Fargo & Company. Visit www.wellsfargo.com for more information.

This article has been prepared for informational purposes only. The accuracy and completeness of this information is not guaranteed and is subject to change. Since each individual's financial situation is unique, you need to review your financial objectives to determine which approaches might work best for you.