Parents: Money training works

Twentysomethings should pay rent, their own cellphone bill

It happens to all twentysomethings. There comes a time when their parents say: Pay for your cellphone, pay for your car insurance, pay for everything. Usually, that's when they get their first job after college. But while they're in college, and even high school, parents can start getting them used to paying for things themselves.

And what will their reaction be?

"What happened to the Mom Fairy?" laughs Sanyika Calloway Boyce, a "financial fitness coach" and author. "They have a false sense of reality because their parents pay for so much. And then all of a sudden, they're cut off."

Here are tips from Calloway Boyce to help parents get their twentysomethings on the right financial footing. And get their hands out of their parents' pockets.

► Make them pay — something. Hand off some of their bills to them. Such as cellphone bills. "The good thing about cellphone companies is, if you don't pay your bill, they just cut you off. They don't have any sympathy. Kids need to learn that," Calloway Boyce says.

► Get them a credit card with a low limit. Having limited access to credit helps build a good credit rating (if they pay on time) and takes away the mystery.

► If they're at home, make them pay rent. "Send them a bill, because when they're out on their own, all those bills will be theirs," she says.

► Teach them to save — even a little. "Young workers are so absolutely shocked by how little they're making, they don't feel they can afford to save," Calloway Boyce says.

"I go back to compound interest. I say: 'Hey, you're already blowing $50 a month on stuff you can't remember. Here's what that would look like over time.' "

Begin to do these things, kids are finally on their own know what they're really Boyce says.

By Mindy Fetterman

Financial lowdown

OK. So you're in your 20s and you want to start investing. Here are some basic definitions of financial products.

CDs: Do not download into your iPod. These are certificates of deposit that you buy from a bank. They pay a fixed interest rate, and your money is held for a certain length of time. You can't get your hands on it without paying a penalty. You can buy 3-month, 6-month, 1-year or longer-term CDs. These are nice, safe investments because they're backed by the federal government. You won't lose money on a CD. They would be good for saving for a car when you know you want to buy one in, say, three years.

Money market funds: These are not very sexy, but they, too, are safe. They're accounts that you invest in through a bank, mutual fund company or brokerage house. They pay interest that, while not guaranteed by the federal government, is fairly safe. Plus, if general interest rates rise, the rate paid on a money market fund will rise, too.

U.S. Savings Bonds: Safe, staid, something your grandmother probably has given you. They're issued by the U.S. government (www.publicdebt.treas.gov) and you simply cannot lose money. You have to hold on to them for a while, though.

Time really IS money

Here's how $50, $75 and $100 invested monthly at these rates of return grow over time.

	Rate 4%	Rate 6%	Rate 10%
$50			
10 years	$7,387	$8,235	$10,328
20 years	$18,400	$23,218	$38,285
30 years	$34,818	$50,477	$113,966
$75			
10 years	$11,081	$12,352	$15,491
20 years	$27,600	$34,826	$57,427
30 years	$52,227	$75,715	$170,949
$100			
10 years	$14,774	$16,470	$20,655
20 years	$36,800	$46,435	$76,570
30 years	$69,636	$100,954	$227,933

Source: USA TODAY research