

Four Lessons Generation Y Can Learn From The Great Recession

from daveramsey.com on 28 Jan 2010

Most parents of teenagers have learned that the hard times are there to teach us something. The group that stands to learn the most from today's economic hard times is Generation Y. Why Gen Y? They're young—teens to early thirties—and they've seen how *not* to handle finances.

Even if you don't feel like an example of successful financial living, you can use your experiences to teach your Gen Y child some life-changing lessons.

Lesson One: Live on a Budget

Gen Y is beginning to embrace the budget. Studies show that more than 70% have made budgeting and daily money management a priority. Gen Y is all about using technology to monitor their budgets. But there's more to it than checking your balance before you make that \$300 purchase.

Effective budgeting—spending every dollar on paper, on purpose each month—is **a life skill most kids won't learn in school**. If your kids are still at home, you can teach them how to budget and set an example by budgeting yourself. If your Gen Y child is on his own, you may have to save that teachable moment for when he asks for help.

Lesson Two: Get Out and Stay Out of Debt

You might think that your struggle with debt was enough to keep your kids from making the same mistake.

But Gen Y is having trouble with this lesson, too. On average, young working adults have more than three credit cards, and about 20% carry a balance greater than \$10,000. One in four believes they will have credit card debt *for the rest of their lives!*

Share your battle with debt and inspire your Gen Y child to get *intense* about eliminating debt or avoiding it completely! Normal is broke. You don't want normal for your kids; you want them to be weird.

Lesson Three: Save Up

Millions of high school and college students recently witnessed the turmoil that job losses caused in their homes. They're old enough to understand that a job loss looks totally different when you have three to six months of expenses saved. This experience may affect Gen Y the same way the Great Depression affected that generation, leading them to make savings a priority.

You can reinforce this lesson by being disciplined in your savings.

Lesson Four: Invest Now

You may not have a million dollar portfolio of investments yet, but you can introduce your Gen Y child to Ben and Arthur. Both of these brothers knew investing was important, but Ben realized it first. He invested \$2,000 each year from the time he was 19 until he was 26—a total of \$16,000. Arthur was a little slower on the uptake and began investing \$2,000 each year at age 27 and kept investing until he was 65—a total of \$76,000. Assuming their investments earned 12% per year, who do you think had more at retirement?

Arthur did pretty well. He retired after all those years of faithful saving with \$1.5 million in the bank. Pretty good, right? Here's the kicker, though. Ben, who put a lot less money in and saved for only a handful of years, retired with nearly \$2.3 million!

The moral of this story? Two things: First, invest early. Ben's seven years and \$16,000 beat out Arthur's 38 years and \$76,000.

Second, don't touch investments. You notice that neither brother took any money out to buy a home or to get through a job layoff. That's what savings are for; investments are for building wealth.

Your kids will be in charge of their own financial futures whether or not you teach them the right way to do it. **Don't wait until they come back home broke. Get started now.**