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Parents of teens ride waves of expenses

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By Kathy Chu, USA TODAY

Week after week, Eleanor and Todd Hugus of La Jolla, Calif., are reminded of the price of raising an active teenager.

In April, their 13-year-old daughter, Brooke, went on a whirlwind eight-day East Coast tour with her history class to, as Eleanor Hugus puts it, "walk in the paths of our Founding Fathers." The cost: $1,800, broken into four payments.

"This was something we weren't anti-cipating," says Hugus, 49. "But you kind of have to think that she's going to be the only kid left at school; how is she going to feel?"

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The Huguses have been saving for retirement and for Brooke's college education. But, like other middle-class parents, they've been caught off guard by something they hadn't planned for: the rush of expenses that envelops parents in the preteen and teenage years.

School trips. Clothes and shoes for rapidly growing bodies. Refrigerators to fill, and refill, for ravenous children and their friends. Prom dresses. Piano and guitar lessons. Football uniforms and cheerleading outfits. And, yes, iPods.

Budgeting for kids has never been as predictable as accounting for monthly retirement savings or credit card payments. But it's become more challenging as kids juggle pricey extracurricular activities and hanker for high-tech gadgets. Increasingly, they're also bombarded with marketing pitches for the coolest sneakers or jeans.

Last year, a middle-income family spent an average of $190,980 to feed, house, clothe and entertain a child from birth until age 18, with the preteen and teenage years taking the heaviest toll, according to the U.S. Agriculture Department. The more money a family has, the more it tends to spend on kids.

"When I was growing up," Eleanor Hugus says, "parents were saving for college," not for kids' daily activities.

Finding a balance isn't easy. Should you limit spending on kids and instead sock more money in retirement or college savings plans? Or better to give them every advantage — from music lessons to sports training — you didn't have at their age? What is a necessity? An indulgence? How exactly, in other words, do you set limits?

Financial planners tend to approach the issue from a hard-numbers perspective. To them, high-tech toys and out-of-town class trips are items on a family balance sheet that, while potentially valuable, threaten to throw a budget out of whack.

"Tell your son or daughter that this is how much you have to spend" on activities, says Bill Hart, a planner in Jacksonville. "Otherwise, kids get the impression that Mom and Dad are money trees. You pull off a branch, and in a few weeks, it grows back."

Still, there's no simple answer. Maybe you feel that pricey sports gear and a school trip to Paris are among the ingredients that help produce a well-rounded child — one who holds more appeal to colleges. Or maybe you just can't bear to say no to a pair of designer jeans that will elicit unmitigated joy.

"My kids get their (school) pictures taken twice a year," says Carrie Kovac, a mother of five children, three of them school age, in Jacksonville. "Multiply that by three, and it adds up. They want (the pictures), and if you don't buy them, they'll ask you, 'Why?' "

Making sacrifices

There are signs, though, that more teens and parents are wising up about money. In 2005, teens — defined as those 12 to 19 — were projected to spend $159 billion, a 30% rise from 1997, according to Teenage Research Unlimited, a market research firm. But last year's spending is down from the prior year's, largely because teens have less access to their parents' money, the research firm says.

The reason: Some parents are clinging more tightly to their wallets because of an uncertain job market. And there's evidence that more of them are recognizing the value of fiscal restraint in raising children.

"Parents are starting to do a much better job of keeping teenagers in the loop about money ... so teenagers don't have such unreasonable requests," says Michael Wood of Teenage Research Unlimited.

Even so, one thing hasn't quite changed: Most "parents would rather do without for themselves than cut back on what they give their kids," Wood says.

For instance, parents are often tempted to save for children's college education even if they haven't been putting enough money away for their own retirement. (Financial planners usually warn against this strategy; while children can get loans and other aid for college, parents can't really do the same for their golden years.)

Other, less-pressing teenage expenses can also imperil family savings. For the Hugus family, these culprits include surf camp, clothes and trips for their wave-riding daughter. The family pays, on average, $3,000 a year for surfboards, wetsuits and contest fees for Brooke, who competes on her school surfing team and in local and national competitions. In the past two years, she's burned through about eight surfboards.

That, along with Brooke's school trip in April, upended the family's budget.

"I had to cut back on my 401(k) (contributions) a few times this year" to fund these activities, says Eleanor Hugus, CEO of a property-management company. "I haven't ever said no to anything she really wants to do. But she hasn't gone off and asked me for unreasonable things."

When there's less money to go around, children's wants sometimes take priority over their parents' needs. Karen and Keith Smith are raising five boys, ages 6 months to 13 years, in Sanford, Colo., on a household income of about $30,000. They don't have money for luxuries such as gym memberships. They seldom eat out. And they are trying to chip away at $15,000 in credit card debt.

But they pulled together enough money to buy MP3 music players in October for their two eldest sons after the boys made the school honor roll. And they managed to pay for two of their younger boys to be on a community wrestling team this year.

The cost of wrestling — $880 for uniforms, sign-up fees and traveling expenses for competitions — meant the Smiths had to delay paying a few household bills and had to cut off their cellphone service.

Possibility of scholarships

But the family says the sports help develop the boys' independence. The activities could also make their sons more attractive to universities. "I am always telling the boys that they have possibilities of scholarships and getting into better colleges due to (their) different interests," says Karen Smith.

Another reason children want — and parents give — is a time-honored one: peer pressure. Teenagers face pressure to go on the same school trips, play on the same teams and wear the same name-brand clothing. And many parents want their children to fit in and their families to be able to enjoy the same lifestyles as others, says Lewis Mandell, finance professor at the State University of New York at Buffalo.

Bryce Schaefer, a father of three daughters — a 16-year-old and 11-year-old twins — in Temecula, Calif., admits he's a "little sensitive" to the brands his children wear because he wants them to fit in. He recognizes, he says, that the hot style now could be out of date next year.

Some parents also prefer to yield to teenagers' pleas — about playing on a traveling sports team, say, or getting a sleek Toyota Scion tC once they turn 16 — than engage in an awkward discussion about money.

But failing to have this chat often means kids grow up assuming their parents' budgets can sustain all their demands. And the load on the family's finances grows heavier once requests for Dora the Explorer backpacks morph into ones for Sony PlayStations.

"Today's kids are growing up with a sense of entitlement and a sense that they should have everything regardless of their (parents') income," says Laura Levine, executive director of the JumpStart Coalition, which focuses on children's financial literacy.

Parents tend to struggle, though, to set limits. About one in six teens say they get whatever they want from their parents, a survey this year by Simmons Research, a unit of Experian credit bureau, found. "Parents have a lot of wants for their children," says Kathryn Kelly of the American Bankers Association Education Foundation. "Understandably, we all want our kids to be special and to get everything."

Some working parents, pressed for time, choose to pamper their children with expensive gifts instead. Kim Rivielle, 38, threw a lavish "spa party" in February for her daughter Lexie's 10th birthday, at Lexie's request. On a Saturday night, Rivielle invited 25 girls to her home in ritzy Garden City, N.Y., for chocolate fondue, manicures, facials and massages.

"I work a lot, and she makes some sacrifices, so she deserves to get above and beyond," says Rivielle, an executive at a business-information company who has four daughters. "For me, it's easier to just do it than to find something else she wants to do."

Indulging children isn't limited to the affluent. David Jones of the Association of Independent Consumer Credit Counseling Agencies has seen parents of all income levels who can't bear to deny their kids. "We see some real horror stories where parents buy $300 or $400 purses for their kids," he says. "It's driven many of them over the edge, so they have to declare personal bankruptcy or seek a debt-repayment plan."

Early financial education

That's why financial planners suggest parents start teaching children about managing money when they're as young as 2 — old enough to watch commercials and to get sucked into the I-want-it society.

There's a good reason to start early: "The teenage years can be a little acrimonious, and if you start saying no to them then, it can stress the relationship," says Karin Maloney Stifler, a planner in Hudson, Ohio.

Parents can also encourage teens to get jobs and earn some of their own money. But, sometimes, this just isn't realistic.

Take it from Schaefer, whose three girls dance, play volleyball and softball. At the same time, they're also dealing with stiff academic pressure to get into college.

"Between the demands of school, and the often lackadaisical and procrastination-type of attitude many teenagers have, they don't have time for anything else," he says.

Planners, parents share four important strategies to help manage the expenses that go with raising a teenager

Budget, budget, budget

Sit down at the start of the year and talk to your kids about what expenses are coming down the pipeline. If you know ahead of time about that pricey school trip, you can start saving for it — as can your teenager.

If you can afford to, leave room in your budget under "miscellaneous." And try not to empty your emergency fund. "The emergency fund is really for the car breaks down, you need a new roof," says Cary Carbonaro, a financial planner in Clermont, Fla. "I don't think the expenses of planning birthday parties should be taken from the emergency fund."

Just as your company may match the money you save in your 401(k), you can match what your child saves for prom dresses or camera phones — "anything that's a luxury vs. a need," says Olivia Mellan, a psychotherapist in Washington who helps couples with financial issues.

Educate children

Teaching the value of a dollar early on can help control the inevitable pleas.

When young children are old enough to count, give them a piggy bank. Explain that if they save money for later — instead of spending it now on candy — they can get the remote-control car they really want.

Susan Beacham of Money Savvy Generation, a company that teaches kids about personal finance, has created a piggy bank with four compartments: for saving, spending, donating and investing. The idea is to get children used to thinking about all the ways in which they can manage their money wisely. "If we taught our children how to save, spend, donate and invest — kind of like how to brush their teeth, say 'please' and 'thank you' — they'd be more focused in life" and probably more successful, Beacham says.

As your kids enter the preteen years, you can open a bank account for them and teach the value of using debit cards. (You can't spend money you don't have.)

Give allowances

You can help prevent teens from overspending by giving them a set weekly allowance — and not caving in to their pleas if they use all their money and want another $10 to go to the movies.

About 54% of teenagers get regular allowances, according to Simmons Research. One common rule of thumb is to give kids 50 cents to $1 each week for every year of their age.

Giving teens a regular stipend for clothing can also teach fiscal restraint. Peg Eddy, a financial planner in San Diego, credits this for why "my children are now very wise buyers." When her two boys — now 25 and 28 — were in junior high, she paid for their underwear, coats and shoes.

But for all their other clothing, they had to dip into the clothing allowance she'd give them. If the boys blew through their allowance, instead of getting more money, they'd get a financial lesson: Eddy would talk to them about what they could have done differently.

Manage expectations

Parents should be clear about exactly what expenses they're willing to cover, such as sports uniforms and athletic contest fees, and what expenses teens will be responsible for paying themselves, such as cellphone bills and car insurance. This will make it easier to handle the last-minute expenses that inevitably come up during the teenage years.

But this strategy isn't foolproof. Mary and John Stepanek of Hudson, Ohio, have three boys, ages 9, 17 and 20, and about two decades of experience handling kids' expenses.

Their general rule: "If it's involved with school and sports and music, and it's truly a talent they're pursuing, we'll cover it," says Mary Stepanek, 44. "If it's to entertain themselves, like with a school dance, I would expect them to pay for it."

The reality, though, is that figuring out precisely what to pay for is still a "seat-of-the-pants" decision, even after all these years, she says.

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