

# MANAGING IN TOUGH TIMES

# FAMILY FINANCIAL MANAGEMENT

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## THIS MONTH'S TOPIC:

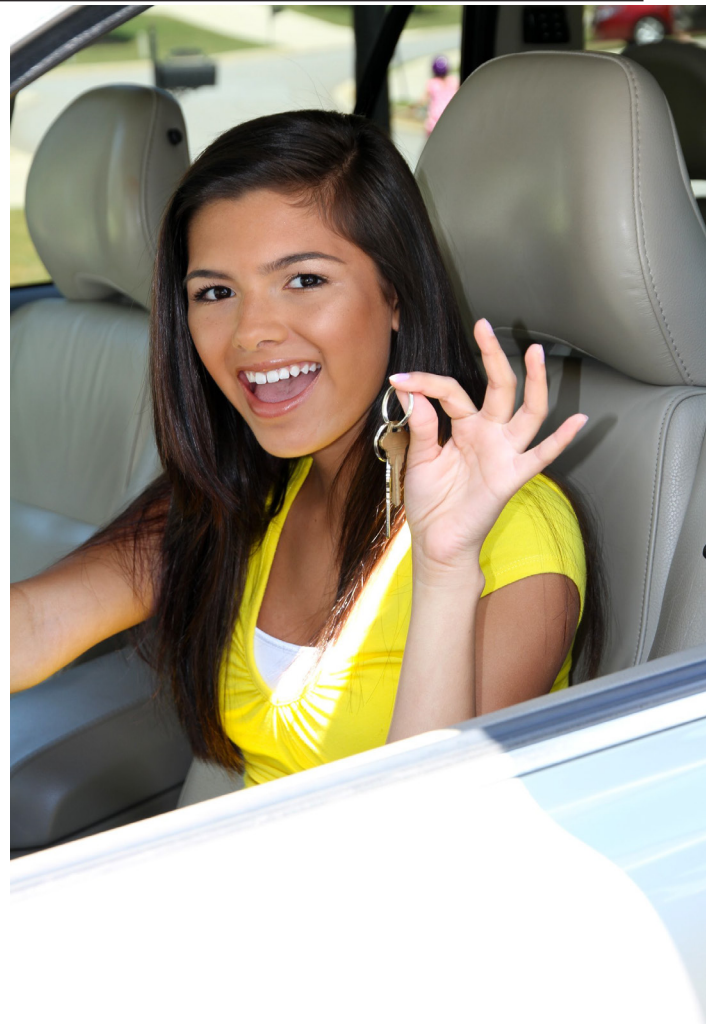
## The Keys to Driving: Financial Considerations for Teen Drivers

The majority of teens look forward to the freedom and excitement that come with earning a license. However, it is also a time of increased responsibility. There are many financial considerations for teen drivers, and teen drivers need to be aware of the financial obligations that come with driving. Below are some tips for managing the costs and including your teen in the process.

### Vehicle Costs

- One of the most expensive aspects associated with a new driver is the cost of a vehicle. It is important to consider your financial situation to determine whether your teen will share a family vehicle, or whether you will purchase another vehicle. Include your teen in this conversation; it will be helpful for him to participate and understand the decision-making process.

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- For sharing, it is important to consider possible time constraints and the transportation needs of the family. Review your teen's transportation needs and whether any other family member will need the car during those times.
- Paying for another car will increase your costs considerably, so it is important to think about whether this payment is possible in addition to other household expenses. Consider buying a used or older vehicle to reduce the cost. Having your teen drive an older vehicle may also help reduce insurance premiums.

### Car Insurance

- Although a few companies offer discounts for newly licensed drivers, most companies increase your premiums after you add a new driver. Include your teen in the process of choosing an insurance company and selecting a policy. If it's possible for your teen to cover a specific percentage of the insurance cost, he will have a more realistic role in the cost of driving.
- Several insurance companies offer discounts to balance the increased cost of adding a new driver to your policy. For example, some companies offer discounts for teens who complete a specific safe driving program. Contact your insurance company to determine if it provides a program or will offer a discount.
- Most companies also provide good student discounts. Students who maintain good grades (often a B average or higher) may qualify for a discount on premiums. Your teen might also be eligible if he or she is on the dean's list or honor roll, as well as ranking in the upper 20 percent on some standardized tests.

### Car Maintenance

- Gasoline: One way to help teens learn the cost of driving is by asking them to pay for routine maintenance. For example, if your teen is sharing the family vehicle, you could request that he fill the gas tank every time he uses the car. If he has his own vehicle, you could require that he cover the costs of all gasoline, or provide a gas allowance to teach him that driving costs

money. It is a great way to teach your teen how to manage his expenses, too.

- Oil changes: Routine maintenance of a vehicle also costs money. You could suggest that a teen cover this cost, or simply give her the task of taking the car to a mechanic while covering the cost yourself. Often, time spent on a task is also an investment that will help your teen see the value of taking care of a vehicle.
- Car registration: It is important to think about car registration as an added cost as well. Registering a new car can be expensive, although the cost decreases with the age and quality of the vehicle. Talk with your teen about who will cover this expense.

There are many new costs that occur when teens learn to drive, and they should be included in the conversations regarding the added costs associated with driving. Although it may not be realistic to expect your teen to cover all of the costs associated with a new vehicle, encourage your teen to contribute to some of the expenses. By allowing your new drivers to see the process, they will not only learn how to be responsible drivers, but also how to make good financial decisions.

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