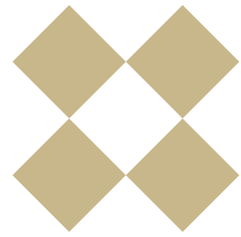




SAVINGS TIPS FOR TEENS AND YOUNG ADULTS: HOW TO START EARLY AND BUILD WEALTH



Savings Tips for Teens and Young Adults: How to Start Early and Build Wealth



Learning how to save money as a young adult is one of the most valuable things you can do, because it sets the stage for long-term financial well-being and can help you achieve your goals more quickly. When you understand concepts like budgeting, goal-setting, and the power of compound interest early on, you can make smart money decisions, avoid debt, and build wealth over time.

Do you have long-term goals? Maybe you want to [go to college](#), without having to take out large amounts of student loans. You might want to buy a house someday. Maybe you want to start your own business. Or, you could be interested in traveling the world.

Goals like these require savings. By managing your finances now, when you're young, you can get a head start on saving enough money to help you pursue your dreams. Saving early means you can make the purchases or investments you want sooner, setting the stage for achieving your goals and living the life you want.

In this e-book, we'll cover more than 10 ways to save money as a student, including:

- ◆ Creating a budget, including a savings category
- ◆ Using a free finance app to track your spending and saving
- ◆ Opening a teen savings account that can help you earn free money in interest
- ◆ Automating savings from a checking account
- ◆ Saving money in an account with compound interest to grow your savings more meaningfully
- ◆ Setting financial goals to stay on track
- ◆ Using delayed gratification to prioritize savings
- ◆ Enrolling in a savings challenge to stay motivated
- ◆ Working part-time to grow income and savings
- ◆ Taking advantage of student discounts
- ◆ Paying with cash instead of plastic

Saving can be easy with a few simple tips. The following are some strategies for savings for teens to help you start your smart financial journey.

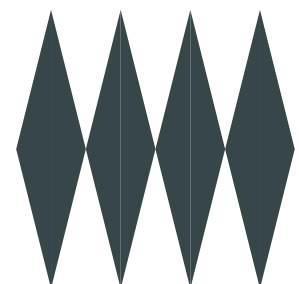


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CHAPTER 01



Begin Budgeting

First, it's important to understand how much money you have and how much you're earning, so you can understand how much you have to spend and to save. [Budgeting](#) is the foundation for how to save up money as a teenager. Using a budget teaches financial discipline and ensures you avoid developing negative spending habits.

To help you understand budgeting, start by identifying where you're getting money from. This could be from allowances, part-time jobs, or gifts.

Then, categorize your spending into needs, wants, and savings. Use the [50/30/20 rule](#) as a guide. Break down how you allocate your money this way:

50% for needs: This includes essential expenses, like school supplies, bus fare, or personal hygiene items.

30% for wants: This category accounts for money you use for things like entertainment, shopping at the mall, or dining out with friends.

20% for savings: Even a small percentage of our money should be allocated to savings, whether that goes toward future purchases or to build an [emergency fund](#).



CHAPTER 01



A key component of budgeting for young adults is awareness. You should track your spending and know exactly where your money goes. This can be done through [budgeting apps](#), like Mint or YNAB (You Need a Budget).

There are also simple credit union and banking apps that come with features for monitoring income and expenses.

With a budget, you can hold yourself accountable for the categories you're spending and saving in.

A budget can help you ensure you stay within your financial means, so you don't spend too much money in a category that doesn't align with your financial goals.

Tracking your spending in a budget can also help you understand your spending habits. As we'll explain later on in the e-book, seeing where you spend your money most often can help you think about easy ways to save more, without sacrificing the things you want to do.



CHAPTER 02

Open a Savings Account

Now that you know how much of your money should go toward savings, you can open a savings account to have a safe and secure place to store that money. A savings account for depositing cash helps protect your money from loss or theft.

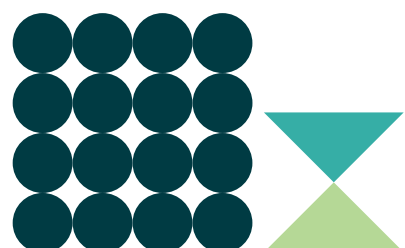
While using cash to make purchases can help you better manage your money, as we'll explore later, storing funds you want to keep for savings in a credit union or bank helps you gain visibility into what you have and ensures it stays protected. Plus, a savings account can help you grow your savings and make you less likely to use money you want to save long-term.

Ask your parent or guardian to help you open a teens or [kids savings account](#). You'll usually need to bring your Social Security card and one of the following to a credit union or bank to open your account:

- ◆ Birth certificate
- ◆ School photo ID
- ◆ Passport
- ◆ Driver's license

There are also [teen checking account programs](#), such as the CU Succeed® program, which includes a free ATM card. You can deposit money you receive and earn into a checking and/or savings account and use online banking to track your budget, all in one place.

With your budget in mind, you can [automatically transfer savings](#) of at least 20% of whatever income you're generating into your savings account. That helps you stay on track and grow your savings.



CHAPTER 03

Use Compound Interest

Speaking of savings accounts, one of the most powerful financial lessons you can learn is the magic of compound interest. Unlike simple interest, where you only earn interest on the initial amount you've deposited (called the principal), [compound interest](#) allows you to earn interest on both the principal and the interest that has already been added to your account. Over time, this can lead to exponential growth in savings, especially if you start saving when you're young.

Here's an easy way to understand compound interest. Imagine you deposit \$100 into a savings account with a 5% annual interest rate. After the first year, you'll have \$105.

In the second year, you'll earn interest not just on the original \$100, but on the \$105, meaning you'll have \$110.25 by the end of the year.

Over time, this process continues. What started as a small savings account can grow significantly.



CHAPTER 03



To put the power of compound interest into perspective, here's an example of how to save money at a young age.

- ◆ If you save just \$50 a month starting at age 15, and that money earns an average annual return of 6%, you could have more than \$25,000 by the age of 35 years old.
- ◆ Conversely, if you wait until you are 25 years old to start saving, you'd have to save nearly twice as much per month to reach the same amount by the age of 35 years old.

When you're comparing savings accounts to open, ask about compound interest. You may be able to open a high-yield savings account, to earn more money in compound interest over time.



CHAPTER 04



Set Goals

When you learn to save with purpose, you'll not only understand the value of money, but you'll also develop a stronger motivation to save. This involves setting both short-term and long-term goals.

When you write out your [financial goals](#), you become more aware of them and may be more likely to achieve them. A study by [Dominican University of California](#) found people who wrote down their goals accomplished significantly more than those who didn't write their goals.

Small-term financial goals are for smaller purchases you'd like to make or experiences you'd like to have within a few months of a year. For example, short-term goals could be:

- ◆ Buying a new phone, game console, or clothing
- ◆ Saving up for concert tickets, a special trip, or a new hobby

Long-term financial goals could include things that require more time and patience, like:

- ◆ Creating a savings account for college tuition or educational courses
- ◆ Saving up for your [first car](#)
- ◆ Building an emergency fund, or saving for future housing needs



CHAPTER 04



To help you define your financial goals, it's important to go through a goal-setting process. This involves:

- ◆ **Specificity:** Be clear about what you're saving for. For example, instead of saying, "I want to save money," say, "I want to save \$500 for a new laptop computer."
- ◆ **Creating a timeline:** You should decide when you'd like to reach your goals. This helps break down savings into manageable mini-goals, such as, "I need to save \$50 a month for 10 months."
- ◆ **Tracking progress:** As you save toward your goal, track how far you've come. This not only keeps you accountable, but it also provides a sense of accomplishment when you hit milestones.

Use your budgeting app and/or savings account to monitor your savings progress. If you're not saving as much as you need to in order to reach your goals, you can decrease your spending, increase your income and/or increase your saving to get back on track.



CHAPTER 05



Delay Gratification

We live in a time of instant gratification, where online purchases can be made with a single click, and entertainment is available on-demand. Learning the value of delayed gratification can help you spend more wisely and save more money throughout your life.

Delayed gratification is the ability to resist the temptation for an immediate reward in favor of a larger, more valuable reward later on. This concept is not just important for financial success, but also for cultivating patience and thoughtful decision-making.

Use the following tips to develop your delayed gratification skills.

- ◆ **Start small:** One of the most effective ways to learn about delayed gratification is to start with small goals. For example, if you want a new pair of headphones, save up for a month or two, rather than buying them immediately.
- ◆ **Pursue incentives:** Sometimes, adding an incentive for waiting can be powerful. Consider participating in [savings challenges](#) where, for instance, if you save a certain amount by a specific date, you get a bonus – whether that’s extra allowance or a matching contribution from a parent.
- ◆ **Learn trade-offs:** Delayed gratification also involves understanding trade-offs. When you know that by spending less on small, impulsive purchases, you’ll have more money for something bigger and more valuable, you’ll start weighing the pros and cons of each purchase.

You can reinforce how positive delayed gratification can be by constantly reminding yourself of your long-term goals. For example, you could create a vision board that features your long-term goals. Using poster board, you can cut out pictures from a magazine of things you want to purchase in the future, such as a house or car, or add photos of places you’d like to take a vacation to.

Also, check in with your budgeting app every day. If you’re staying on track with your budgeting goals, you can more smartly manage how much you have to spend in your “wants” category, so you don’t overspend and take money out of your savings.

CHAPTER 06

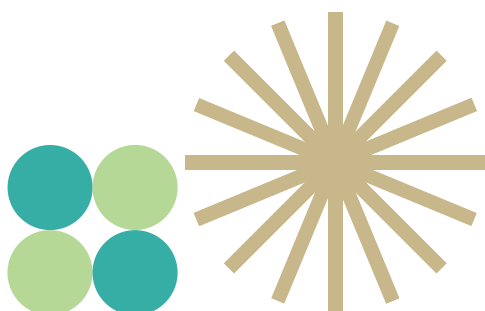
Earn Money

Earning money in your teens helps you understand the value of hard work, responsibility, and financial independence. While allowances and gifts from family may provide a certain level of financial support, earning your own money helps you develop a deeper appreciation for financial discipline and the effort required to achieve your goals.

Earning money as a young adult, whether through a part-time job, freelancing, or entrepreneurial ventures, will teach you crucial life skills beyond just financial management. It instills a sense of pride, responsibility, and time management. By having a consistent income stream, you can directly apply budgeting and saving strategies to real-life scenarios, reinforcing the financial literacy concepts you're learning.

Here are some ways you can earn extra money as a teen.

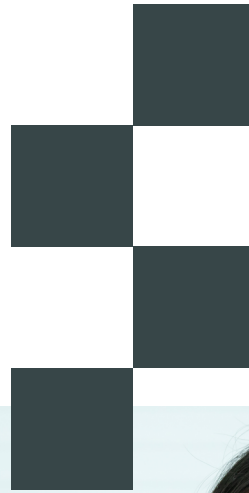
- ◆ **Part-time jobs:** Many teens choose traditional part-time jobs, such as working at a local café or retail store, or by babysitting or tutoring. You can post your skills on a site like Nextdoor to find money-earning gigs in your neighborhood.
- ◆ **Freelancing:** For tech-savvy teens, freelancing is an excellent way to earn money by using specific skills. If you enjoy computer-based fields such as graphic design, video editing, or coding, you can look online for remote jobs that require your skills.



CHAPTER 06

- ◆ **Entrepreneurial ventures:** [Entrepreneurship](#) offers you a chance to explore your creativity and business sense. Crafty teens can sell handmade wares on sites like Etsy, or you could create something like a car detailing business in your neighborhood.
- ◆ **Seasonal gigs:** Seasonal work, like being a camp counselor, lifeguard, or retail worker during the summer or holiday season, can provide you with an influx of cash.

Remember to use your budgeting skills for any income you're bringing in. By saving some of that income in an account with compound interest, you can earn free money just for storing your savings in that account.



CHAPTER 07

Use Compound Interest

A happy life is all about a balance of being responsible and having fun. For low-cost entertainment and savings on purchases, consider the following tips for spending.

Ask about student discounts: Many retailers offer student discounts on purchases, and a lot of events-driven entertainment vendors do, too. Ask about student discounts when you're purchasing tickets for things like movies, theme parks, and events to take advantage of savings. It never hurts to ask, "Do you offer a student discount?" before you pay for something.

Seek out free entertainment: You don't have to spend money to have good times with friends. Look for free events in your local newspaper online to find cool activities like concerts, poetry slams, outdoor movies, book clubs, and other no-cost entertainment. Other free activities you can do with friends include exercising outdoors, going for a walk at a park, and volunteering at a food bank or animal shelter.

Use cash instead of plastic: While a debit card does offer convenience when you need it, one way you can keep your spending in check is to use cash for your purchases. A 2024 study reported by [Forbes](#) found people are twice as likely to spend more money when they're using plastic or digital payments, compared to when they use cash. Having cash in your hand gives you a sense of the money you have, so you may be more likely to delay gratification rather than tap your phone or swipe a plastic card.



CHAPTER 07

Use your budgeting, credit union, and/or banking app to track your spending. Look at the categories of where you tend to spend money, such as on food or shopping. Then, think about ways you can decrease your spending so you can save more money.

For example, if you eat out at restaurants with your friends a lot, you can save more hosting potlucks at each other's homes. If you spend a lot on clothes at the mall, you could [save by shopping at secondhand stores instead](#). For the ticket price of one arena concert, you could save \$150 and see free weekly concerts at local coffeehouses, instead.

Remember to keep your long-term savings goals in mind when you're tempted to spend money. By shifting your entertainment habits from expensive to free or lower-cost, you can accelerate your savings and reap the rewards later on.



Let AZCCU Help You Build Your Savings

Think of your financial savings like a tree. The earlier you plant the seed, the sooner your tree will blossom.

Taking small actions today can snowball into big results later on. Learning about financial literacy and how to save money as a young adult is a gift that will benefit you throughout your life.

With budgeting, setting financial goals, and the power of compound interest in your toolkit, you can begin building a secure and prosperous financial future.

Arizona Central Credit Union is ready to help with all your or your teen's banking needs, from the [CU Succeed Club](#) to [loans for college](#).



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