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Wednesday, June 18, 2008

Rising costs force many teens to stretch their dollars

Jennifer Youssef / The Detroit News

Detroit Heather Pullen was just beginning to enjoy the freedom of driving a car and buying a piece of clothing or two each month, when the price of gasoline hit \$4 a gallon.

The 17-year-old stopped driving her car to Consortium College Preparatory High School and the community center, because she can't afford to fill it up. Trips to the mall and new clothes also are out.

"Now I'm taking the bus," said Pullen, who's eager for her summer job to start later this month.

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Across Metro Detroit and throughout the country, teenagers like Pullen are for the first time facing the pain of inflation -- when that allowance or paycheck from a part-time job doesn't buy what it used to and something has to give. In the past year, big price jumps in two of the things teens spend the most money on -- food and fuel -- have forced them to cut back on extras such as clothes, shoes, video games and Starbucks. Others, like Pullen, are parking their car or cutting back on meals out.

Leave it to an adult to call it a blessing in disguise for young people, many of whom may never have known what it means to go without and seldom have had to think about how they spend their money.

"It's a wake-up call for the youngest (consumers) to really monitor their spending," said Michael Bernacchi, a marketing and economics instructor at University of Detroit Mercy. "There's no better time to learn than early in life. If teens can learn right now how to do it, then it will stick."

The buying power of teens is significant. Last year they spent \$176 billion on everything from clothes to shoes to dining out to gasoline, according to Teenage Research Unlimited, which tracks teen habits and trends. That number is likely to drop this year, however, the researchers said. In a recent survey of teens, 40 percent said they plan to spend more money this year, down from 44 percent the year before. Fifty-eight percent said they would spend the same or less.

"We've found that teens have become somewhat less confident in the past year or two," said Rob Callender, trends director at Teenage Research Unlimited.

Higher costs are only part of the problem. Shoppers also are holding back as more families face a slew of financial problems stemming from a weakening economy, slumping home values and a slow job market. Teens, too, are having a much harder time finding work this summer. The Michigan Department of Labor & Economic Growth forecasts a 23.3 percent unemployment rate for teens, up from last summer's 22 percent.

Costs of necessities rising



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Taylor Brown, 17, of Detroit restocks the dairy aisle at Metro Foodland in Detroit, where he works part time. To stretch his paycheck, he buys chips and a drink instead of a full lunch at Consortium College Preparatory High School. (Bryan Mitchell / Special to The Detroit News)

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Infographic section with three charts: 'Teen spending drops', 'What teens spend their money on', and 'The Inflation Factor'.

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But it's the soaring costs of essentials like food and gasoline that have really thrown teens for a financial loop in recent months.

The last time there was a noticeable price difference in goods and services was in the late 1980s and early 1990s, before some of today's teens were born. Last year's overall inflation rate of 2.8 percent was meager compared with the 4 percent it was 20 years ago, but then food and gas prices stayed in line with everything else, said Scott Watkins, a consultant with Anderson Economic Group in East Lansing.

In the past year, food prices are up 5.1 percent, dining out 4.6 percent and gasoline 18 percent.

"I think many consumers perceive inflation to be more present than it actually is largely because the prices that are higher -- mainly food and gas -- are very visible and frequently encountered," he said. "Prices for a lot of big-ticket items that we think about less are not increasing. In some cases, they are actually decreasing."

In the Teenage Research Unlimited survey, older and younger teens listed high gas prices as a major concern, Callender said. Teens who drove said gas sucked up too much of their money, and the younger kids said they knew their parents couldn't afford to buy them things because they had to pay more for gas.

More asking parents for cash

Metro Detroit teens are accepting the fact they can't afford to spend as extravagantly as they used to.

Derreck Amboyan, 15, of West Bloomfield Township and his friends now map out their car trips in advance so they don't waste gas and money driving around aimlessly. Amboyan will start his summer job at Hiller's grocery store this month, but until then, he has to ask his parents for money.

"We have to plan out where we go," Amboyan said. "Before, we would wing it."

Like Amboyan, Taylor Brown, 17, of Detroit, also is one of the lucky ones who has a summer job -- at Metro Foodland stocking the dairy aisle.

With each paycheck, Brown socks away \$100 in a savings account and uses the rest for clothes, eating out and other necessities. To make that money go further, he stopped buying lunch at Consortium College Preparatory High School.

"Now I just get a bag of chips and something to drink" for lunch, he said.

Precious Jones, 16, of Detroit, worked at Little Caesars all winter, but is jobless now. So she depends on her parents for her spending money. She typically asks for \$50 a week, but that doesn't mean she gets it.

Lately, it takes more to buy the things she'd gotten used to, like meals at Olive Garden and clothes from stores at Fairlane Town Center in Dearborn.

"Now I go to (outlet) stores at Great Lakes Crossings, where everything is cheaper," she said.

Bernacchi was pleased to hear that youngsters are being more frugal.

"This is the opportunity of a lifetime" for teens to learn how to budget, he said.

Count Elizabeth Starr among those learning the lesson.

After filling the tank of her 1998 Ford Expedition at the beginning of the week, cash is in short supply for the 18-year-old from St. Clair Shores. So shopping trips are reserved for special occasions like birthdays or holidays, she hasn't bought new clothing since last year and gourmet coffee drinks at Starbucks have been replaced by Folgers or whatever her mom makes at home.

"I still get these," Starr said, pointing to the caramel macchiato she was drinking inside Starbucks at the Mall at Partridge Creek in Clinton Township. "Just not every day like I used to. Only once in a while, for a treat."

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