

Teaching Your Child about Money

From giving your toddler a piggy bank to helping your teenager learn to balance a checkbook, there are many things you can do as a parent to teach your children the value of money and how to use it responsibly. Though experts recommend that you begin when your child is very young, it is never too late to start.

Starting Young

It is vital to impart a sense of fiscal responsibility to your child at an early age. Bad money habits and materialistic tendencies are harder to correct as a child gets older.

Kids are constantly bombarded by advertisements that tell them to "buy." Many children learn that by continually asking their parents for favorite foods, new toys and other items, they eventually get what they want. In establishing this pattern, children run the risk of becoming increasingly frustrated as they mature into adults who cannot always immediately afford what they want.

Parents have many opportunities to teach simple lessons about money that can last a lifetime. While school can teach a child the math skills necessary to understand dollars and cents, parents can educate their children about saving, earning, spending, borrowing and sharing money and resources. These lessons will help them achieve financial independence once they are old enough to live on their own.

Teaching Tips

- › Establish a weekly allowance. Perhaps the most effective method of demonstrating the value of money is to reward your child with an allowance in exchange for chores. Be sure the tasks you assign are age-appropriate and agreeable to your child. Try to be as fair as possible: your child may not have much of an incentive to work hard if the allowance is too small.
- › Be consistent by paying on time after the chores are done satisfactorily. Consider increasing the amount incrementally according to age (e.g., your 10-year-old daughter gets \$10 a week). Also, consider encouraging your child to save a set portion of the weekly allowance for future financial goals like college. If he or she cannot seem to do this responsibly, you may want to set some aside in a savings account.
- › Talk to your child about saving and spending in simple language that relates to his or her experiences. For young children, use the cost of that must-have toy to teach the relative expense of items and the time it takes to save for them. Offer more mature examples and practical advice to teenagers.
- › Stress delayed gratification. Teach your child the value of saving for a short- or long-term goal. You can replicate the concept of earned interest by offering to toss in the last \$5 needed for that \$30 toy. Talk about the need for everyone to help with college expenses.
- › Introduce budgeting skills. When your child is old enough to grasp the concepts, have him or her make a list of needs and wants and their costs. Show how long it will take to save for these items and how to establish a savings plan to reach these goals.

Create Family Savings Goals

- › Without getting too technical, involve your kids in budgeting discussions. Establish financial goals (e.g., a new TV or a summer vacation) and get your children excited about mom and dad saving along with them. Post a weekly "savings update" for that particular goal. Create a fun "savings thermometer" that gets shaded in as savings increase. Also, think about creating a small-change family fund. Put out a money jar that every family member can contribute to. Establish a goal of saving for a family day at the amusement park, or a new puppy. Fun money-saving activities like this are especially beneficial to young children.
- › Do not associate money with fear and guilt. Avoid saying things like, "Your toys are costing us way too much money," or "Your father had to take a second job to help pay for your school." Negative messages like these turn money and spending into a punishing, guilty concept for children. Likewise, do not use fear and stress tactics (e.g., "You had better start saving for college or you will end up flipping burgers for a living") to motivate your child's money habits.
- › Buy educational DVDs and computer software on money. There are many children's titles on the market that teach kids important money lessons via fun cartoons, friendly graphics and catchy songs.
- › Teach the value of giving and sharing. While it is vital for children to learn how to earn and spend money

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responsibly, it is just as important to teach them about the joys of giving money and gifts to others, sharing their time and resources and contributing to worthy causes. Stress that giving is its own reward: the satisfaction of knowing that you have helped someone in need and made someone happier with your gift. Help your child get involved in school-sponsored fundraisers like pledge drives and candy sales. Encourage him or her to give a toy to a charity for underprivileged kids or to offer up a portion of his or her allowance to your place of worship.

- › Praise your child's good habits. Compliment and applaud your child when he or she saves or donates money.

Remember that though there are many ways to teach children the value of money, the best way is by setting a good example as a financially responsible role model. Avoid arguing with your spouse about money matters in front of your children, and try not to be too materialistic in your purchasing tendencies.

Money Timetable

Though there are no definitive guidelines, you may want to consider the following steps to teach your child about money:

Toddler

- › Encourage your child to save coins in a piggy bank

Preschool

- › Teach your child to sort out different types of coins and count them.
- › Visit a local bank with your child and help him or her open up a no-fee savings account; work with your child to save all or portions of monetary gifts in this account.
- › Introduce an allowance.

Elementary School

- › Play games like Monopoly and Life with your child.
- › Teach your child the importance of planning for the future: have him or her list short-term (e.g., a new bicycle) and long-term (e.g., college savings) financial goals. Encourage your child to revisit these goals regularly.
- › Encourage your child to save by teaching him or her about compounded interest earned via a savings account.
- › Teach your child about the costs of borrowing money and how interest is charged (e.g., grant an advance on allowance in exchange for a few extra chores).
- › Teach your child about the value of stocks and investing (e.g., create a fun game in which each family member pretends to invest \$100 in their favorite company, such as Disney or McDonalds, and compare stock performances after a set period of time).
- › Bring your child to work with you one day to teach the value of services performed for salary.

Junior High School

- › Allow your child to participate in family financial and budget discussions. Demonstrate where your money goes to pay the bills.

High School

- › Consider letting your child control his own clothing allowance.
- › Encourage your teenager to work a part-time job.
- › Help your adolescent open up his or her own no-fee checking account. Show your child how to balance a checkbook.
- › Demonstrate how a credit card works and the responsibility involved with borrowing money.

Resources

- › U.S. Department of Education: www.ed.gov
- › MyMoney.gov: <http://mymoney.gov>
- › National Endowment for Financial Education: www.nefe.org
- › Jump\$tart Coalition for Personal Financial Literacy: www.jumpstart.org
- › U.S. Securities and Exchange Commission: www.sec.gov



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