

HOW TO TALK TO YOUR CHILDREN ABOUT MONEY

Above all other lessons, strive to model healthy money management behaviors in your own finances. Many of us may make a mistake or two along the way regarding our credit, incurring excessive consumer debt, or failing to honor our financial promises. However, the effort of trying will be noticed by your children. Be honest and proactive when discussing money with children. Let them know it's important to you.



EARLY CHILDHOOD MONEY MANAGEMENT LESSONS

- Let your child see you managing your money. Instead of barricading yourself in your bedroom or den to budget or balance your checkbook, let your child observe you working on these important financial tools at the kitchen table or in the living room. If they see it's important to you on a regular basis, it will likely be more important to them as they grow older.
- Introduce the concept of money early on. It's easy for a young child to think that money "grows on trees." Use easy-to-understand examples or find some children's books from a local library that address money and budgeting. One possibility is the *Berenstain Bears Trouble with Money*.
- Discuss the difference between needs and wants. Our basic physical needs are 1) Food & Water, 2) Shelter & Security, and 3) Protective Clothing. Demonstrate the difference between needs and wants and encourage your child to save money for things they want to purchase.
- Allow your child to begin managing a small amount of their own money. Whether you set up a weekly allowance, reward them for doing household chores, or mix the two methods, let them make decisions about what to do with their money. Start with a small denomination each week and increase it as your child's responsibility level grows. Consider running your own "Family 401k" by matching every dollar they choose to place into a savings account with a dollar or two of your own. If you choose to use only the reward-for-chore method, be prepared for the time when your child decides they would rather go without any money that week than having to do their chores.

MIDDLE CHILDHOOD MONEY MANAGEMENT LESSONS

- ❑ Set up a bank account. Check out your local bank or credit union for programs they may offer for kids. Show your child how to make deposits and withdrawals and to keep a record of these transactions. When you receive the bank statement, go over it together and see how it measures up with what was personally recorded.
- ❑ Once they've begun to develop some abstract thinking capabilities (between 8 and 10 or so), include your child to one extent or another in family budgeting decisions such as family vacations, entertainment, or shopping for clothing. Real world situations can help them decide whether it's more important to buy one expensive outfit or several discounted outfits that will last the entire school year.
- ❑ Provide them with part-time job opportunities. By the time your child reaches high school, they might want to consider getting a part-time job. This is also a good time to go over taxes and other deductions with them, especially after their shock at seeing what's left of their first paycheck.



ADOLESCENT MONEY MANAGEMENT LESSONS

- ❑ Prepare for future use of credit. Don't provide your child with their own credit card just so they can build credit. Until they are a few years away from making major purchases requiring good credit to get lower interest rates, they do not NEED to build their credit. In the mean time, they can build healthy credit habits by paying on time any bills they incur (cell phones, music clubs, etc.). Explain the damaging effect on their finances of bouncing checks.
- ❑ Establish long-term goals. Work together to create a strategy for meeting long-term goals, such as saving for a car, a school trip, or even buying a home 10 years down the road.
- ❑ Rather than doing their clothing shopping for them, give them a monthly clothing stipend. You must be ready to say "no" at the end of the first month when they come to you and explain how they spent it all on one pair of brand name shoes and now do not have sufficient for a new pair of pants. They must learn that money is an "exhaustible" resource and that they will need to pace (budget) their spending in the future. Remind them that they will also be responsible for doing their own back-to-school shopping next year and should plan to save a portion of each monthly stipend if they want to purchase several new outfits at that time.