

TEACHING CHILDREN ABOUT MONEY MANAGEMENT

If you want your child to grow up to be a responsible adult, the earlier you teach him or her about how to handle money, the likelier your child will make good money decisions in adulthood. Of course, babies have no concept of money. But parents can begin to teach children as young as two years old about saving money with a piggy bank. This could be a fun activity, especially since there are numerous styles of piggy banks available, including mechanical and college mascots.

ELEMENTARY SCHOOL

Children in elementary school should learn basic money management skills, including concepts related to earning money, savings and the value of money. Teaching good habits early can pave the way for the remainder of a child's life.

- It's never too early to start a savings account for a child. Involve your child in making deposits and looking at the balance, noting any interest earned. The connection that you actually make more money by saving money will come naturally.
- Some parents like to assign basic household chores or special projects that small children can do to earn quarters or dollars.
- Have your children save money to buy a particular item that they really want. Perhaps they can earn the money by completing extra chores. This is another way to teach the rewards of saving money and self-discipline.

MIDDLE SCHOOL

Children in middle school can start to take on more responsibility and make some of their own decisions when it comes to money.

- If you haven't yet, open a bank account with your child. Many banks have no minimum requirements and no interest charges on children's savings accounts. Let your children make deposits so they can see their money grow.
- Take your child shopping; the grocery store is a great place to learn about comparison-shopping. Encourage your

child to compare items and prices to help you determine how to gain the best value for your shopping dollar. Expand this concept to as many areas of your child's life as possible, and when possible, allow your child to make decisions on his or her own.

- Help your child understand the difference between needs and wants. The next time your child wants an iPod or an expensive pair of sneakers, try this activity. Take index cards or scraps of paper and have your child write down all those items they "need." Then, sort the cards, distinguishing between needs and wants and talk about how that plays out in your household budget. What are the items you spend your salary on that are needs (rent/mortgage, food, insurance) vs. wants (new furniture, surround sound speakers, costly vacations). And note that it's not clear cut. You need housing, but often you don't need to spend 90 percent of your take-home pay to live in the largest house in town. Also, be sure to explain that wanting something is not bad, you just need to budget and save for special wants. The distinction between needs and wants is essential to having good money management skills.
- Encourage your child to think about others by donating time and money to a worthy cause.

HIGH SCHOOL

By high school, your children are quickly becoming adults and beginning to make their own decisions and take charge of their finances. Let them learn on their own, but under proper supervision.

- Be consistent when it comes to money matters like cell phone bills, paying for gas and footing entertainment expenses. If you start bailing your children out of financial mishaps now, they'll expect it for life.
- Have your teenagers analyze their spending habits by creating a budget. This will help them understand where their money is going and how it should be allocated.



- Many teenagers are involved in extracurricular activities. Rather than just dishing out cash for every movie or new garment your children want, let them know that they must work for it. Encourage them to find a job, whether it's baby-sitting or flipping burgers at local food joint. They learn the value of hard work and the rewards for it.
- Families have a number of choices when it comes to funding college. Some parents have saved for years to put their children through school. Other options are attending a community college for the first two years and then transferring to a four-year college, applying for scholarships, working your way through, or applying for financial aid through the universities. Talk to your children about the costs of college and the options to pay for college, and work with them to create a budget that will make college a reality. 🌱

