

Teaching Your Children Money Management

360 Degrees of Financial Literacy



ELEMENTARY SCHOOL

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

- Parents can begin to teach children as young as two years old about saving money with a piggy bank. This helps children see the fruits of their labor.
- It's never too early to start a savings account for a child. Involve your child in making deposits, looking at the balance and noting any interest earned. The connection that money can grow by saving it will come naturally.
- Some parents like to assign basic household chores or special projects that small children can do to earn dimes, quarters and dollars.
- Have your child 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 child 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 needs an iPod or a \$150 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) and what are wants (new furniture, stereos, 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, but you need to budget and save for special purchases. 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 paying for cell phone bills, gas and entertainment expenses. If you start bailing your child out of financial mishaps now, they'll expect it for life.
 - Have your teens analyze their spending habits by creating a budget. This will help them understand where their money is going and how it should be allocated.
 - At this age many children are involved in extracurricular activities. Rather than just dishing out cash for every movie or new garment your child wants, let them know that they must work for it. Encourage them to find a job, whether it's baby-sitting or flipping burgers at a local food joint. They learn the value of hard work and the rewards for it.
- At this age children are also starting to think about college options. 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 child 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.

