

Seven ways to raise money-savvy kids

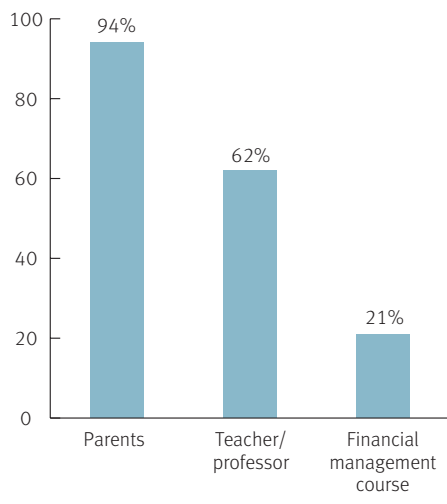


If you want your children to be in good financial shape throughout their lives, you need to provide them with a solid education in managing money — and the sooner you begin, the better.

What can you do to help raise money-savvy kids? For starters, try to help them understand the importance of personal responsibility, setting goals, saving and investing.

Who teaches money management

Percentage of students who say they find their financial information from these sources.



Youth and Money Survey, American Savings Education Council

Obviously, these are broad concepts. So, rather than try to explain them in the abstract to your children, focus on fun, hands-on activities that can be more readily understood. Consider the following seven areas:

- Budgeting
- Earning
- Saving
- Spending
- Giving
- Borrowing
- Investing

Budgeting

Creating a weekly budget is a great exercise for kids of any age — and it is easy to accomplish. Simply have your children divide a sheet of paper into two segments: “money in” and “money out.” In the money-in segment, ask your kids to itemize their money sources (allowance, gifts, jobs, etc.). In the money-out segment, have them itemize expenses in three categories: spending, saving and sharing. If you have younger children, you may want to have them put their money into three separate piggy banks rather than list the expense categories on paper.

Once your children start keeping a weekly budget, they should be able to see how personal responsibility is related to managing their money.

Money “in”

- Allowance: \$ _____
- Job: \$ _____
- Borrowing: \$ _____

Money “out”

- Spending: \$ _____
- Giving: \$ _____
- Saving and investing: \$ _____

Earning

When your children ask for money for an impulse purchase, such as a book, CD or DVD, encourage them to earn all or part

of the money to pay for it. By connecting the earning experience to satisfying a want, your children will begin to understand the concepts of personal choice, goal setting and discipline.

You may want to sit down with your children and discuss the possible ways to earn money. What sort of work could they do? Young children can earn an allowance by helping out around the house. Tweens (children between the ages of 10 and 12) have the standard earning options — paper routes, babysitting, mowing lawns, raking leaves, shoveling walks, etc. Plus, with a little imagination, they can find other possibilities, such as serving as a computer tutor or a pet sitter. Of course, many older teens find part-time jobs at stores and restaurants, as well as summer jobs working as lifeguards or camp counselors.

Saving

You can encourage any child to become a good saver. One proven technique is to open savings accounts for your children and match some portion of every dollar they save. If you receive a 401(k)-matching contribution from your employer, you are already familiar with this type of incentive.

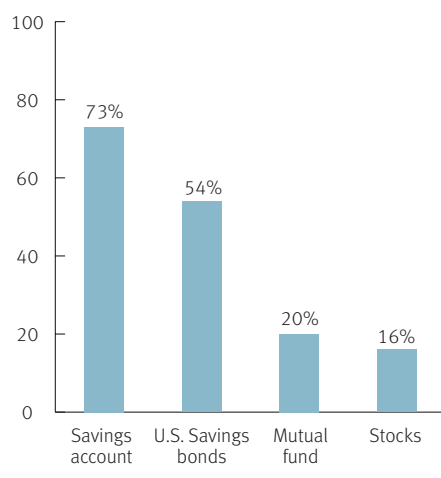
Once you establish a savings account, review the monthly statements with your children and talk about how the account

grows because of deposits and interest. You can further motivate older tweens and teens to save by requiring them to put money into their accounts to help pay for larger purchases, such as a new bike, computer or smartphone.

As your children get used to saving, they will learn the importance of discipline and goal setting — two financial skills that will serve them well throughout their lives.

How children are saving

Percentage of parents who say their children save in these ways.



Parents, Youth and Money Survey, American Savings Education Council

Spending

For kids of all ages, spending is the fun part of learning about money. Depending on your children's level of maturity, you can allow them to choose how they spend all or part of their spending budget. If you help them become smart spenders, you will instill in them some valuable lessons about how personal choice relates to managing money.

Naturally, you will want to supervise your children on how they spend their money and you should advise them on the consequences. However, unless they are considering truly inappropriate purchases, fight the urge to veto their spending decisions.

Giving

We all want our children to grow up to be responsible members of the community. You can help start them along that path by insisting they set aside a portion of their money to donate to a worthwhile cause, such as your religious institution or a charitable organization. You may want to discuss various options with your children to determine which organizations they want to support.

Borrowing

If your tween or teen asks to borrow money, you may want to help them out, depending on the purpose of the loan. But before you do, explain the importance of repaying debts in a timely manner. Establish a reasonable repayment schedule, and stick to it.

As you know, far too many people get in trouble by taking on unrealistic debt loads. By teaching your children the importance of borrowing only what they need and repaying their loans as promised, you can help them avoid trouble later on.

Investing

Tweens and teens will gain an interest in investing and develop a deeper understanding of how it works if you get them started with some stock of their own. First, explain the basics, including how to read the stock market reports in the newspaper. Then, help them choose a company in which they are interested, and buy a couple of shares for them to follow.

Along the way, explain the many factors that can affect a stock's success, such as competitiveness of products, changing public tastes, quality of a company's management, etc.

The American Savings Educational Council offers some ideas for parents to help kids become financially responsible adults:

- Discuss family financial matters with children (family budget, routine shopping, purchase of a new car or home, planning a vacation, paying for college, etc.)
- Share with kids financial education materials from the work place, educational organizations or financial institutions
- Use the media to educate kids about financial matters: newspaper articles, television and radio programs, magazines and books
- Use software and the Internet as a resource for financial information and education (for example: choosetosave.org)
- Explain how different financial institutions and products work (banks, insurance companies, mutual funds, checking and savings accounts, 401(k) plans, IRAs, stocks, bonds, credit cards, savings bonds, etc.)

Start talking with your kids today

By regularly discussing these money management concepts with your children — or grandchildren — you can help them acquire the important skills and good financial habits necessary to enjoy a rewarding and prosperous life. Start your financial conversations today. Some day, your children will thank you.