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Talking to Children About Money

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Children learn about and use money continuously. How children use money will affect not only their economic stability and security throughout life, but also how they live and feel about their lives. Parents and other adults can help children learn about and develop money management skills by discussing money with them, planning together and providing children with positive learning experiences.

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Children and Money

Children are not born with "money sense." They learn about money by what they see, hear and experience. As they grow, children constantly are watching, listening and learning about money. How much does ice cream cost? Can I buy a new book or toy with my money?

As a parent, relative or other adult important in the life of a child, you are teaching the children you come into contact with about money. What would you **really** like them to be learning? Remember:

- You cannot **not** teach your children. They are learning from you whether you actively attempt to teach them or not.
- Talking with kids about money is as important (and in some cases, more difficult) than talking with them about sex or drugs.
- One of the most important lessons you can teach children is positive money management.

Whether parents realize it or not, children's attitudes and values regarding money are influenced by how parents spend, borrow, save, share, invest and protect themselves with money.

Parents can help children understand money matters by letting them take part in regular discussions about using family income. Meeting together as a family to discuss money management and financial issues can help children realize:

- The difference between needs and wants
- Resources, including money, are limited
- Planning helps the family use money more effectively
- Family members should agree on how income will be used, set financial goals, plan how to reach their goals and work together as a team
- All family members contribute to the economic well-being of the family by a combination of work (both inside and outside the home) and effective use of family resources (time, money and energy) to achieve needs and wants
- Children are an important part of the family and their opinions are taken into consideration when making family decisions

Developing Money Management Skills in Children

Having parents and other adults understand how to help children comprehend and master money management skills is important. Having parents provide positive learning experiences as the child grows is equally important. Parents who want to help children learn about money may consult books, magazines and other publications for information. Seek out information on money management from trusted sources and share it with children so they can gain knowledge and increase their confidence.

Parents and caregivers can begin to develop children's money management skills by:

- Guiding and supervising money choices rather than directing and dictating how money is saved and spent

- Praising rather than criticizing, complimenting their positive efforts, and not being overly critical of mistakes because making mistakes is a part of the learning process
- Not using money to reward or punish for such things as grades or behavior, or to pay for regular family chores. Routine work in their rooms or with laundry, meals and cleaning around the house should be expected of all family members, including children.
- Letting children learn from mistakes as well as successes. Discuss mistakes and share ways to improve money management in the future.
- Being consistent, fair and willing to listen
- Conducting a family meeting regularly to discuss money issues and agree on short- and long-term financial goals
- Setting a good example by managing family income, keeping financial records and living within your means
- Demonstrating a balance of spending, saving and sharing family income
- Using credit wisely
- Knowing and practicing consumer rights and responsibilities

Discussing Money Problems with Children

When money becomes scarce, the whole family, from young children to teens to parents, can feel the pinch. Though family members may have limited or no control over the causes of their financial difficulties, they can control their responses and discuss money problems in a way that minimizes stress and anxiety in children.

- **Parents can turn tough times into learning situations.** Help children realize that managing money in tough times requires communication, patience and hard work. Also, assist children to understand that money problems do not need to rob the family of unity or happiness, simple things that cost little or nothing can enrich family life and sticking together is essential to getting through challenges.
- **Parents and other adults should model how the family can have fun together in less expensive ways.** Model for children the value of fun, inexpensive ways to enjoy each other, such as a picnic at the park, renting a video and making popcorn, riding bicycles as a family, volunteering on a service project or other family activities.
- **Increase family communication and solidarity and help children feel some control in their lives.** Take time to communicate regularly, discuss financial concerns appropriately and express to all family members that they are loved and appreciated.
- **Involve all family members in making decisions about money.** In both tough times and good times, families tend to draw closer as they work together and communicate in making money decisions. Children grow in understanding and self-worth when they contribute to the resolution of financial problems. This may involve a teen getting a part-time job or children agreeing to limit their requests for outside entertainment, such as movies.
- **Assist children to become wise consumers and discipline their spending habits.** During tough times, children can learn to be wise about their spending choices and use discipline in how they spend money.
- **Encourage children to contribute in ways that are appropriate to their age.** Children can help during tough times by saving money they earn, limiting their spending choices or requests, or contributing income from a part-time job to help with family needs. Do not put undue burdens on children to generate economic support, but discuss options and allow them to contribute in ways that are meaningful.

Talking to Young Children (ages 4 to 8)

When talking to young children from ages 4 to 8, consider the following:

What to Say and Do

- Help young children learn the value of money and that it can be exchanged for things by letting them pay the sales person for an item at the store. Explain that different amounts of money allow you to purchase different items.
- Allow a child to choose between two or three items in making a purchase. Providing an opportunity for choice and making decisions is important, but limit the number of items to choose.
- Take a child shopping with you and help him or her pay for one item. Keep a separate coin purse for his or her money and assist him or her in making the purchase.
- Talk about the things that family members work to pay for, such as food, clothing, housing or rent, vehicles or household necessities.
- Teach the value of generosity. Guide a child to share money with a friend or sibling, contribute to a faith group or charity, or send a small amount to a meaningful cause or organization.
- Help young children understand that not all work results in pay. Expect them to participate in routine family chores without pay, but also create opportunities for them to do “special” chores that allow them to earn some money.
- Discuss basic math concepts with young children and play games that include counting, addition and subtraction. Count items to purchase or coins to be saved.
- Help young children understand that money is a limited resource. Explain that they cannot buy all the things they see on television or all of the items their friends may have.

Talking to Adolescents (ages 9 to 13)

When talking to adolescent children from ages 9 to 13, consider the following:

What to Say and Do

- Respond to questions that children may have about family finances or managing money. Children may be curious about how much money you make. You may not want to share this information because children may struggle with keeping it private and not sharing it with others. However, listen to questions to discern what children genuinely want to know, such as whether the family is financially stable or if they can buy something that a friend has at home.
- Discuss the importance of saving and using money wisely. Open a savings account for your child at a local bank or credit union if this has not been done. Many banks and credit unions have special savings accounts for children that provide incentives, such as a free piggy bank or other means, to encourage savings.
- Give your child a small, regular allowance. Plan together how to save this money and make spending decisions. Providing an allowance can help children learn to budget in meeting actual needs (a fee for school, etc.), while also providing a little extra money for them to save, share or spend with your guidance and input.
- Explain the importance of working hard and being responsible in earning money. Allow children to earn extra money occasionally by doing additional chores or a special project. Begin with simple, short tasks that they can accomplish and do well.
- Plan a meal together and include the cost and purchase of food items. Look at grocery store ads, clip coupons, or visit the store to look at prices and plan something that is affordable.
- Let children have the experience of buying and paying for something that they want to help in learning the value of money. Shop together for small gifts and allow them to make spending decisions. Doing this can help them learn to make good decisions, make change and be responsible for handling their money safely. Children at this age should learn the meaning of money and reasons for spending, saving and sharing money.
- Encourage children to seek small employment opportunities, such as

Allowance, Earnings, and Managing Money

Allowances and Children

Providing children an allowance (a small amount of money set aside regularly for the child's use) and supporting them in earning money are effective tools that can be used in positive ways to learn about money. Some guidelines on allowances for children are shared here:

- Having a money allowance, and managing the money well, is one of the best experiences that children can have in learning about money. Help children, as soon as they are able, to differentiate between coins and different money amounts. This may be as early as age 4 or 5. By the time children are 6 or 7 years old, they may be able to handle a basic allowance to cover their needs, plus some for personal use, saving and sharing.
- When preteen children are able to list their needs and rank them in importance, they can help determine their allowance needs. They learn that income first covers needs, that money is a limited resource and that the family's financial situation affects the amount each member can use.
- Set guidelines for using allowances. This may include saving a percentage of the allowance, spending a percentage, or other priorities. After guidelines are established, counsel children on how they will decide to spend the money gained through allowance.
- Parents may not feel they can "afford" an allowance. However, if they track expenses, they may discover that the money doled out for children upon request or for special occasions is more than a predetermined allowance would be. Providing children with the money management experience offered by a regular allowance can pay dividends in how children use and manage money later.
- Explain that an allowance is not a reward or a payment. Instead, it is a teaching tool to allow children to gain money management experiences and make decisions that will allow them to function in the real world.

Earnings and Children

Earning money can give children a sense of freedom, recognition of their efforts and a pathway toward financial responsibility and independence. Parents can help children establish excellence in work standards and effort before they work away from home for others. Also, parents can help children find work suitable for their age, interests and skills. Parents and caregivers should not allow a child's earnings to interfere with school or other priorities important to the child and family. Further, parents should work with children to manage any money gained through earnings in a responsible way. Teens with part-time employment should be encouraged to set aside a substantial portion or percentage of their earnings for future needs, such as attending college, purchasing a car or other items.

Money Management Skills and Children

Children grow in their ability to spend, save, share and borrow as they use money for each of these purposes. Children can learn about keeping money records, using savings and checking accounts, borrowing and using credit as they develop their money management skills. Set limits on what children have to spend and make adjustments as they grow older or their needs change. Also, take into account their opportunities to earn more and assist them to plan and budget. If children ask to borrow against their allowance, this should be treated in a businesslike manner, and such advances should be deducted from future allowances.

garden work, mowing the lawn, shoveling snow or child care, when they are able. Visit about how to work hard and present yourself.

- Work together to plan a budget based on their available money. Discuss financial goals and the need for budgets to guide money decisions.

Talking to Teens (ages 14 to 18)

When talking to teens from ages 14 to 18, consider the following:

What to Say and Do

- Explore interests of teenagers in earning money, managing money and making more of their own money decisions. This is a good time to allow them to make some of their own spending mistakes and deal with the consequences (such as returning a product that did not perform as promised).
- Discuss practices for earning and saving money and setting both short- and long-term goals that are important to them (buying a car, saving for college, etc.). Set financial goals together. Include long-range plans for saving, spending, sharing and borrowing.
- Teach teens to better understand the relationships among the proportion of family income that is used for spending, borrowing, saving, protecting through insurance, investing and sharing. Explain the need for budgeting practices that account for financial needs and future plans.
- Encourage teens to participate actively in family discussions about money and family financial decisions so that they learn more fully about individual and family financial goals and responsibilities.
- Provide guidance on planning and budgeting, managing checking and savings accounts, using credit and keeping financial records. Open and manage a checking account and include regular meetings to discuss budgets and money decisions. Use a budget to track income and expenses and progress toward financial goals. Teach teens the real costs of credit.
- Help teens learn about the purposes, services and charges or fees associated with banks, credit unions, loan companies and other financial institutions.
- Help teens be aware of spending patterns that might lead to overspending, such as trying to impress others or seeking approval; responding to sales pressure; making a purchase "just because;" being swayed by advertisements; making impulse buys instead of comparison shopping; spending money to feel better when angry or sad; being unable to say no, especially when others ask; and shopping aimlessly without a purpose or plan on how much you will spend.
- Work with teens who hold part-time employment or make money in other ways to establish a savings plan for important future needs. Assist them to save a portion of what they earn for attending college, purchasing a car, receiving vocational training or other future possibilities.

Conclusion

The consequences of how children learn about and manage money are vitally important for their life, happiness and future. Managing money well allows them to distinguish between wants and needs, learn how to save and budget, and make wise spending decisions. However, problems in managing money can lead to unwanted financial obligations, poor money decisions, and significant stress and anxiety. Parents, caregivers and other adults have a substantial responsibility to provide a good model of money management to children and discuss with children the issues associated with earning and managing money.

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