

## Teaching Children to Manage Money

Money management skills are not something children will automatically have once they become adults. A child learns about money in several ways:

- From what they hear and see around the house
- From experience
- From adult guidance

It is your responsibility as a parent to teach your children about wise money management. With a parent's help, they can learn to plan their spending, compare prices, and save money.

### **How Do I Start?**

The most popular way to begin is with an allowance. The allowance should be a regular amount of money given at regular intervals. Think of it as their paycheck. With a definite sum coming in regularly, children will learn to plan their spending. The fact that they control their money and make decisions (and mistakes) will make them more cautious and thoughtful about spending it. This helps their money go farther and is the beginning of sound money management.

### **How Much Should I Give?**

As your children develop the ability to handle money and their needs increase, gradually increase what they must pay for out of their allowance.

1. Allowances should be based on children's normal weekly expenses plus a small amount for extras of their own choosing.
2. They should understand what to spend their allowance on. Go over this with your children.
3. The importance of saving money should be encouraged. It's never too early to start this lifelong habit to work toward adult needs and wants.
4. You can persuade them to save by showing them that something special arises from time to time and their savings will allow them to buy and enjoy it.

### **Training At Home is Essential**

At a fairly early age, children develop buying habits (both good and bad). With a parent's help, they can learn to plan spending, compare prices, and deal with reliable stores. Parents should explain to their children that spending money without getting something of value in return is wasting money. Also, parents can teach them the art of stretching a dollar by doing some things for themselves and taking care of purchases to make them last longer. Here are some suggestions for teaching children money management.

### **Ages 3 to 6 Years**

Before children can handle money, they must understand simple numbers and know a penny from a nickel or dime. Introduce coins by letting them handle money when buying small items.

At this age, children are usually not interested in allowances, but you may give them money from time to time for their piggy banks.

At 5 or 6, give your child a dime and explain it will buy a piece of candy or a toy, but not both. Money management involves choices and even at this age, when children spend -- they need freedom of choice.

### **Ages 7 to 12 Years**

Children can begin to receive an allowance at age seven. However, at this age, there is still no tomorrow so the allowance should be given two or three times a week. For the first few weeks, ask your child to show you how the money was spent. By starting early with small amounts, costly mistakes are avoided.

Help your child use the allowance wisely by putting part of it in different envelopes or other containers for different purposes - include one for savings.

Encourage children to save by showing them some things cost more than their allowance and they will have to save until they have enough. (These items should be attractive to the child and capable of being purchased in the near future.)

### **Ages 13 to 18 Years**

In their early teens, boys and girls experience managing more money and making more decisions. Allowances should be given in a weekly lump sum to cover their increased responsibilities and expenditures. Additional money beyond the normal allowance amount should not be given. If you give them more, they will not learn the importance of planning, wise spending, and setting limits. They will be deprived of learning what comes from making choices.

Teenagers should be able to decide, to a large extent, how they will spend their money. They should assume more of the responsibility for buying their own clothes, paying for their own savings account, their car, and even paying their own medical and dental bills. To do this, you should increase their allowance enough to cover their new responsibilities.

It is very important for teenagers to have a savings plan. It helps if they have an attainable goal...and enough income. Talk over their savings plan with them to encourage them to save for more expensive items, or for that unexpected something special.

Share with teenagers the responsibility for spending part of the family's budget. Have them plan meals or do the weekly shopping; take them with you so they can learn how.

Family budgeting will teach them about living cost and values. They learn that it isn't magic - it takes work and planning.

**In general, teach your children to SPEND without being wasteful, to SAVE without being stingy, and to SHARE what they have with others. Teach them to value money for what it can do (good and bad) and not as an item in itself. If you train your children in sound financial habits, they will learn how to solve many of the difficult problems of adult living!**

### **What Should I Do If They Have Trouble Managing Their Money?**

Your children's spending plans and habits will not be perfect. Children's financial problems are just as real to them as they are to adults.

Periodically hold discussions and make adjustments to allowances as it may be necessary to deal with unexpected situations and changes in family income and needs.

Praise your children when they are successful, but don't scold them when they make mistakes.

Don't add to their allowances if your children overspend and need more before the next "payday."

Discuss with them how they may in the future keep from making the same mistake with their money and outline their options.

Making mistakes with their money is part of the money management learning process. A \$1 mistake early in life hurts less than the cost of a paycheck later in life.

- Do let them make their own choices and mistakes as much as possible.
- Don't use an allowance as a reward or punishment for good or bad behavior.

### **Spending The Family's Money Is Really A Family Affair**

If each family member has a hand in planning the budget, you can count on the cooperation of everyone to live within the budget. Parents should take the leadership role in planning the budgets, yet ensure everyone has a chance to express their needs and wants

*Children's attitudes toward money are more influenced by the way their parents talk about it and treat items of value than by any other single factor.*