

## Teaching Kids to be Smart about Money

Every year in America parents dole out more than \$15 billion in allowance, gifts and wages to their children – which is a good enough reason in itself to start teaching them money management and consumer skills at a young age. The following are a few tips to help ensure that your children are well along the road to financial security by the time they leave the nest.

**Be a good example:** The best way you as a parent can teach good financial habits is simply by “walking the talk.” For example, take your kids along with you when you go shopping. Include them in the entire process, from planning, budgeting, and comparing prices and quality. Almost all kids at one point will urge you to purchase something that is over budget, and when yours do, explain why it’s more important to save up for an item that you will need or want in the future. Besides, a little delayed gratification never hurt anyone.

**Living within your means:** When you teach your children how to prioritize their spending, they will learn perhaps the most valuable money management lesson you can pass along: how to live within their means. You reinforce the message by being able to say “no” and not reaching for the credit cards or handing out extra cash just because your children ask. When kids want something expensive like hundred-dollar athletic shoes, consider the possibility of having them pitch in a certain amount to cover the cost. This will cause them to appreciate the item more, and they may think twice about spending that much on the new pair of shoes they’ll probably need in six months. You can also choose to lend them the money for the shoes or other items, but if you do, you might want to treat it like a bank loan. Charge a small amount of interest and tell them the money needs to be paid back in a certain amount of time. Then they’ll have an idea about how loans and credit truly work in the real world by the time you pack them off for college.

**Encourage them to save:** It will be a benefit to you and your kids if you encourage them to save a fixed amount of money every month (or week). Talk about goals with them and calculate how much of their allowance or earnings can be put away periodically. Discuss long-term goals, such as going to college or buying a car, and short-term goals, like purchasing a new bike or the upcoming senior trip to Europe. An important note: if you notice that your child is about to make a mistake in spending his allowance, let him. It’s difficult as a parent not to clean up the messes your kids make. But it’s far better for them to learn financial lessons like this on a small scale now than to see them lose money with much larger mistakes later.

Remember, it’s never too early – or too late – to develop healthy financial habits. Both children and adults can reap the benefits of wise money management – gratitude for what you have, a sense of empowerment when goals are met, and long-term financial security.