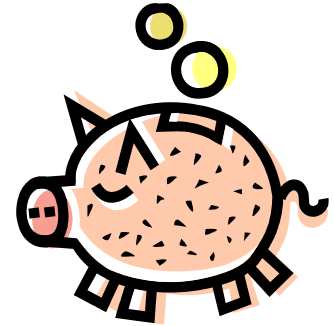




## Raising Money-Smart Kids

Teaching your kids about how to handle money responsibly is one of the most important jobs you have as a parent. The earlier you form habits, the more it feels like second nature. Those habits will stay with your child for a lifetime. Here are six key points to keep in mind, plus age-appropriate tips.



**Learn Together.** Don't feel like you have to be a financial whiz yourself, or even that you have to have a good handle on your own money situation. Pick up a good book, ask your bank or credit union about their youth programs, and take a family finance class at your local library or community center. There are even money camps that you can send the kids to. Don't assume kids will learn about money in school.

**The Allowance Debate.** Allowances are probably the hot-button topic when it comes to financial literacy for kids. Nearly everyone agrees that kids need to get spending money from their parents. The issue generally comes down to expectations. Many parents have their kids do certain chores to earn the allowance, arguing that this system teaches children about earning. Others say that allowance shouldn't be tied to chores, because taking care of a home is simply part of being a family. It's up to you to weigh the pros and cons and decide what's right for your family.

**Divide it Up.** Many experts suggest that kids have a system for allocating money, whether it's from allowance, job income or cash gifts, generally along the lines of 70 percent for spending, 10 percent for saving, 10 percent for charity and 10 percent for investing. You can vary the proportions however you want, perhaps dividing "saving" into long-term and short-term goals, or "spending" into self and gifts.

**Let Them Make Mistakes.** While it can be tempting to swoop in and save the day, let your child make mistakes with their money. (Better to be disappointed with a junky \$20 toy than a junky \$20,000 car.)

**Look for Teachable Moments.** Have your child save receipts so they can see where their money is going. Open a bank account with them and go over the monthly statements together. Look at interest earned on investments like government savings bonds. These are great opportunities to talk about budgets, interest, bank fees and disposable income. Use easy to understand language and make sure they understand what rich people do. For example, you have to milk the cow, not eat it. People who live paycheck to paycheck eat their cows and they'll never get ahead. People that put money away, so that they have it

to invest are on the right track. The end goal is to invest enough money so that you can live off the dividends. That's "milking the cow." Teach your children this before they get caught up with trying to pay off debt.

## **Age-by-Age Tips:**

### **Under age 4**

- Practice counting with actual currency (steering clear of coins with really small kids).

### **Ages 5 to 8**

- Take your child to your bank or credit union to open a savings account and learn about saving and interest.
- Work on the concepts of choice and elimination. In a store, say, "You have this amount
- Decide what you are going to buy and tell me why you chose it." --- Avoid using potentially traumatizing language, such as "If we buy this toy for you then Mommy and Daddy won't have enough money to buy food to eat." It may be effective, but if you want a child who constantly asks you in front of your friends if you have enough money to buy food to eat, go ahead.

### **Ages 9 to 12**

- Have your child use part of his allowance to buy small gifts for family members, especially around birthdays or holidays. It could be as simple as getting enough candy to share at the store. This helps your child learn how to share, as well as budget.
- Invite your child to sit with you occasionally when you pay the household bills, so she can get an idea of costs and how to use a checkbook or online banking system. Show your child how to read a stock or bond report. (Don't know how? Learn together!)

### **Ages 13 and up**

- If your child has a handle on using cash responsibly, get a debit card or a secured credit card with a low limit. Then pay the bill together.
- Plan how to save for long-term, big-ticket goals, like a car or higher education.
- If your teen is working, show her how to file an income tax return and have a general discussion about the tax system.