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FOR FAMILIES

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Teaching children about money

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❖ **INSIGHTS FOR FAMILIES** is provided by your child's school in recognition of your role as a partner in education. Adapted from information published by the National PTA by Judy McDaniel, communications consultant.

Money gives people – both young and old – decision-making opportunities. Here are some ways to teach children about personal finance and managing money.

- ❖ As soon as children can count, introduce them to money. Take an active role in providing them with information. Observation and repetition are two important ways children learn.
- ❖ Communicate with children as they grow about your values concerning money – how to save it, how to make it grow, and most importantly, how to spend it wisely.
- ❖ Help children learn the differences between needs, wants, and wishes. This will prepare them for making good spending decisions in the future.
- ❖ Setting goals is fundamental to learning the value of money and saving. Nearly every toy or other item children ask their parents to buy them can become the object of a goal-setting session. Such goal-setting helps children learn to become responsible.
- ❖ Introduce children to the value of saving versus spending. Explain and demonstrate the concept of earning interest income on savings. Consider paying interest on money children save at home or matching what they save on their own.
- ❖ When giving children an allowance, give them the money in denominations that encourage saving. If the amount is \$5, give them 5-1-dollar bills and encourage that at least one dollar be set aside in savings. (Saving \$5 a week at 6 percent interest compounded quarterly will total about \$266 after a year, \$1,503 after 5 years, and \$3,527 after 10 years!)
- ❖ Take children to a credit union or bank to open their own savings accounts. Beginning the regular savings habit early is one of the keys to savings success. However, don't refuse them when they want to withdraw a portion of their savings for a purchase or they might be discouraged from saving at all.
- ❖ Keeping good records of money saved, invested, or spent is another important skill young people must learn. To make it easy, use 12 envelopes, 1 for each month, with a larger envelope to hold all the envelopes for the year. Establish this system for each child. Encourage children to place receipts from all purchases in the envelopes and keep notes on what they do with their money.
- ❖ Use regular shopping trips as opportunities to teach children the value of money. Going to the grocery store is often a child's first spending experience. When you take children to other kinds of stores, explain how to plan purchases in advance and make unit-price comparisons.

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- ❖ Allow young people to make spending decisions. Whether good or poor, they will learn from their spending choices. Encourage them to use common sense when buying by doing research before making major purchases, waiting for the right time to buy, and using the “spending-by-choice” technique – listing other things the same amount of money would buy and then choosing which item to purchase.
- ❖ Show children how to evaluate TV, radio, and print ads for products. Will a product really perform and do what the commercials say? Is a price offered truly a sale price? Remind them that if something sounds too good to be true, it usually is.
- ❖ Alert children to the dangers of borrowing and paying interest. If you charge interest on small loans you make to them, they will learn quickly how expensive it is to rent someone else’s money for a specified period of time.
- ❖ When using a credit card at a restaurant, take the opportunity to teach children about how credit cards work. Explain to children how to verify the charges, how to calculate the tip, and how to guard against credit card fraud.
- ❖ Be cautious about making credit cards available to young people, even when they are entering college. Credit cards have a message: “spend!”
- ❖ Establish a regular schedule for family discussions about finances. This is especially helpful to younger children – it can be the time when they tote up their savings and receive interest. With teenagers, it’s also useful to discuss what’s happening with the national and local economies, how to economize at home, and alternatives to spending money.