Exposing kids to personal finances

In support of the Improving Financial Awareness & Financial Literacy Movement & Campaigns built around the strategic venues of
- **Financial Literacy Month (April)**
- **Estate & Gift** Planning **Awareness Month (October)**

This article contains a very important message

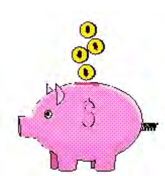
It's very important for us parents, to introduce and expose our children to sound principles of personal money management. With our media-enriched environment, we're constantly exposed to thousands of marketing suggestions on how to spend money, whether we have it or not.

The earlier kids learn about how to earn income and manage money, the better their chances are for financial success. Today, few schools can afford to give classes on how to earn, save, invest, buy, borrow and be an entrepreneur, and financially plan for their futures. This clearly leaves the responsibility with parents and family, or our children will enter the real world quite vulnerable.

We've developed a six-stage program for educating children about money management. The ages used are approximations and may vary depending on the child's maturity and what they may have already been introduced to.

STAGE 1: GETTING STARTED
(BIRTH TO AGE 5)

Set up savings accounts in your children's names soon after they are born. Give them a piggy bank as well, and encourage them to put loose coins into it. When the piggy bank is full, count out the money with them. Then, take them to a bank, credit union or brokerage firm and deposit the coins into their account.



Begin talking to your children about money and purchasing. When you go to the store, show them how you trade money for merchandise. As your children begin to grasp these concepts, encourage them to make some financial decisions for their own purchases, such as what toys and treats to buy.

Also, set up an educational savings fund and encourage grandparents and family to assist. The cost of a quality education has soared in recent years. If it continues to increase at the same rate, higher education will be available only for the affluent and those who plan ahead with the entire family unit.

STAGE 2: FIRST INCOME
(AGES 5 TO 8)

Begin giving your children a regular allowance. Start with a modest allowance – $1 to $5 for starters – on a weekly basis and increase it over time. Discuss the options for their allowance: saving vs. buying things vs. giving. Don't take their allowance away as a punishment, and don't link it to household chores. Allowance should serve as a money-orientation aid rather than a behavior manipulation tool.

STAGE 3: FIRST BUSINESS OPPORTUNITY
(AGES 8 TO 11)

Give your children opportunities to earn more money. If you are a small-business owner, allow them to do work for you to earn money. Also, a lot can be said for the entrepreneurship of the front-yard Kool-Aid stand, lawn mowing, or an eBay business.

Encourage them to play money games that involve the buying and selling of items. Discuss how you assess the alternatives: Why would you pay this amount of money for this item? Is it a necessity? Is it better to save? Is there a better way of buying it?

STAGE 4: FIRST BUDGET
(AGES 11 TO 14)

At this age, children can begin learning to budget their own needs. Talk to them about a clothing allowance and saving for future cash needs like a new iPod, a computer, a bike, college, a car, etc. Teach them to begin defining their goals, organizing their finances, and developing strategies to reach those goals.

As taxes are unavoidable, discuss taxation with your children, and walk them through the process of filing tax returns.

Consider giving them holiday and birthday gifts of stock or mutual fund shares. This provides an opportunity to expose your children to the stock market, bonds, CDs, Treasury bills, etc. Take them on a field trip to visit your financial advisers – the accountant, attorney, insurance agent, financial planner and stockbroker.

STAGE 5: GETTING READY FOR THE REAL WORLD
(AGES 14 TO 17)

Encourage your children to get an after-school or summer job so they better understand how money is earned and what to do with it. Have them open a checking account for their earnings and teach them to balance it. Since they're earning their own money, ask them to start paying some of their own expenses for social outings and personal expenditures.

With their new earnings encourage them, and if needed with other family members support, to set up and begin to fully fund their Roth IRA's.

If they're headed for college, help them contact the schools they are considering to investigate expenses and scholarship opportunities. Now is also the time to begin exposing them to career opportunities with different earning potentials.

At this age, it is also important to help children start setting long-range objectives: the type of job they might desire, the amount of money they would like to earn, and the kind of house they would like to live in. These discussions help them understand that their first jobs and the first house will probably not be like Mom and Dad's. However, through good work, planning and money management, they can reach their goals over time.

RESOURCE CENTER

- www.wsj.com/articles/the-smart-way-to-teach-children-about-money-1422849602
- http://www.dailyfinance.com/2015/03/28/cool-ways-teach-kids-personal-finance/
- https://www.famzoo.com/
- http://financialplan.about.com/cs/moneyforyouth/a/MoneyKids.htm
- http://life.familyeducation.com/finances-and-money/parenting/36332.html
- www.financialeducatorscouncil.org/personal-finance-for-kids/

STAGE 6: ENTERING THE OUTSIDE WORLD
(AGE 17 & BEYOND)

Continue to help your children with career counseling. Make sure they have a clear understanding of the choices available to them. This information should come from real-life experiences or reliable sources; television programs and movies often give a distorted view of life.

After they leave home or graduate from college, work with your children to develop annual budgets. Help them establish credit by getting a family credit card. Discuss the importance of not abusing their credit, such as when they should pay it off vs. when they should not.

Work with them on their major expenditures – cars, homes and furnishings. Don't let them get into deep debt; help them to live within their means.

Introduce them to estate and gift planning and help them to put together their first set of documents. This usually will include a will, power of attorney for asset management, and a power of attorney for healthcare in some states know as a Advance Healthcare Directive.

By following these suggestions and incorporating your own real-world experiences, you can give your children a very valuable gift – a true head start on '*smart money management.*'

Share this information with your friends. If their kids are older, suggest they move through the stages more quickly.

CHECKLIST FOR INTRODUCING FINANCES TO CHILDREN

- ☐ 1. Get started with piggy banks and saving accounts
- ☐ 2. Give them an allowance
- ☐ 3. Expose them to their first business opportunity
- ☐ 4. Help them establish a spending plan and budget
- ☐ 5. Get your children ready for real-world financial experiences
- ☐ 6. Help them enter the real world with sound smart money management and financial planning life skills

These materials are provided as a public service by The Financial Awareness Foundation for "free-use" on websites, newspapers, newsletters, magazines, and other news media broadcasts in support of The Improving Financial Awareness & Financial Literacy Campaign built around the strategic campaign venues of Financial Literacy Month (April) and Estate & Gift Planning Awareness Month (October). For additional information or materials contact us at

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