



Consumer Tip April 2017: Help Your Kids Understand Financial Basics



April is National Financial Literacy Month, and it's the perfect time to start talking with your children—no matter how young—about financial basics. Although many schools are beginning to teach personal financial education, research shows that most children determine their attitudes about money by the fifth grade. So it's imperative as a parent to take matters into your own hands to help set your child on the path to financial success.

The most important thing you can do to prepare children for their financial future is to have honest, thoughtful and regular conversations about money. It is never too early to start teaching your child basic money matters. Below are five tips that can help children build a solid understanding of financial basics and instill positive habits they'll carry into adulthood.

Discuss Money and How Spending Works

The expression "money doesn't grow on trees" immediately comes to mind. If you have young kids and want to avoid endlessly using this expression, the first thing they need to learn is what money is and how it's used. This simple concept is the foundation of financial understanding. Start with showing them cash and coins, and explain the different denominations. You can also show them credit cards and checks, and explain how these are also used to pay for things. Then describe the job that mommy or daddy does to earn money. This is a good opportunity to teach your young kids about what you do for a living and why you chose that profession. Next, give a child a few dollars and take them to a dollar store or the grocery store to start teaching them about spending.

Give an Allowance and Set a Goal

When children are a little bit older and begin to receive an allowance, they can learn important financial lessons. An allowance can simply be given or it can be earned through chores and helping around the house—that is a personal decision for parents. An allowance forces your child to work with a limited amount of money and make choices about the best ways to use it. It also gives parents an escape from kids constantly asking for things because you can say "use your allowance" to buy it. A good exercise is to encourage your child to save a portion of allowance for several weeks in order to buy something more expensive versus spending it all on little things every week.

Decide How to Store Money

Be it a piggy bank or a plain jar, giving young children a special container to store their money is a tangible way to help them understand how money builds up. Many parents use the jar system for younger children—one for short-term spending, one for savings and one for charitable donations. For example, allowance money can go in short-term spending, birthday money can go in savings and money earned through chores can be split between the three jars. Teach kids that once money is in the savings jar, it doesn't come out. As children get older, they will benefit from graduating from piggy banks and jars to full-fledged savings accounts at a bank.

Visit a Bank with Your Child

When your child is ready to open a savings account, financial experts encourage a "field trip" to the bank. By doing this, a child can look around and gain a better understanding of what a bank is and how it works. Plus, they'll feel important and proud of themselves when they meet a banker to set up the account and make the first deposit. Be sure to explain that money is insured when stored in a bank account. This is also a good opportunity to introduce the idea of interest and how it works.

Practice Budgeting

It's important to give your kids an opportunity to budget their cash. For younger kids, this could be as simple as giving them a set amount of money to buy souvenirs while on vacation. For older kids, especially as they get closer to leaving home, this means creating a simple, realistic budget that includes all expenses (rent, car payment, groceries, etc.) and money coming in. Emphasize the importance of living on less than what you make to avoid debt and have money to cover unforeseen expenses that will always arise.

In addition to doing these things at home, many community banks offer financial education programs for children throughout the month of April. Contact your local community bank to find out activities it is hosting for Financial Literacy Month.

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