

Highlights

“Raising Your Children to Be Financially Responsible Adults”

With Karen Rancourt, Ph.D., Author and Parenting Coach

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A free teleclass on Thursday, May 28, 2009, 1 pm

Part of the SixFigureStart Guest Expert Series

Topic #1: Research on Children and Their Money Habits

- Studies indicate that **most kids develop their money habits by age 13**. For example:
 - In a study sponsored by the National Council on Economic education, 66% of **high school students** tested on basic money skills scored an "F". Only 3% got an "A".
 - Yet, teenagers are spending about \$200 billion of their own money each year and influence an additional 50% of their family spending. That is a lot of purchasing power for a group with little knowledge on how to spend and save wisely!
 - Many of these high school graduates are not capable of balancing a checkbook and lack an understanding of the

ESSS Money Management Model:

Earning, Spending, Saving, Sharing (and for some kids, Investing)

- 58% of parents surveyed said they require their children to save money (American Savings Education Council).
- 46% of parents surveyed said they encourage their child to contribute to a charity; 21% require it (American Savings Education Council).
- A recent Nuveen Kid\$ense Money Survey showed that 58% of kids 12-17 wouldn't bother to bend down and pick up money off the street unless it was a dollar or more.
- To repeat: Only 3% of high school kids got an "A" on a test of basic money management skills.

Topic #2: Basic Guidelines for Teaching Age-Appropriate Money Management Skills

Model good money management knowledge and skills yourself.

1. Pay your bills on time; stay within your own budget. Your child learns more about your relationship with money from **what you actually do** than from you say should be done.

2. Try to have money **arguments** out of earshot of your children!
3. Have age-appropriate money **discussions** with your children.
4. Help your children learn the difference between **Needs and Wants**.
5. Give your children age-appropriate assurances of what your financial situation is.
6. **“Are we rich?”** Find out what’s behind the questions before answering it!
7. There is nothing to be gained by your children knowing your income.
8. Be conscious of what **messages** you may be giving off when you discuss money matters, even when you think your child is not listening:
 - *“Did you notice that our neighbors are still driving their 10-year-old car?”*
 - *“Mandy wore the same dress to the party last night that she wore to Alan’s wedding.”*
 - *“Going out to dinner with them? They always pick restaurants where the food is so expensive I can’t really enjoy it.”*
 - *“That birthday party they gave for their son was pretty cheesy. Had I known I would have gotten a cheaper gift.”*
9. Consistently use positive money management phrases such as **“We budgeted** for this,” **“We did not budget** for this,” **“We can afford** this,” **“We cannot afford** this,” **“Aunt Liz is so generous,”** **“We want to share** our holiday meal,” **“I am so glad we saved up** for this trip!”
10. **Set expectations earlier** rather than later around major investments. E.g., let your child know when he/she is still in high school that you have budgeted for undergraduate education, but you will not be able to pay for graduate school.”
11. This time of economic downturn may be an ideal time to **recalibrate** some of your own money practices and those of your children. E.g., “Even though our savings aren’t growing as fast now as they used to, so we don’t have enough saved to go to DisneyWorld this summer, you get to help pick out places we can drive to for day trips.”

Topic #3: Age-Appropriate Guidelines for Teaching Age-Appropriate Money Management Skills

I. Ages 3 to 5

- Continue using positive money management vocabulary, i.e., budget, afford, save, share.
- Casual conversations about how much things cost, e.g., “We’ll wait until the shoe store has their big sale to get your sandals. That way you’ll have your shoes and we can save some money.”
- Set up their Money Management system with a clear plastic container labeled Savings.
- Let your child have money in his/her pocket and make small appropriate purchases.
- Let children have some say in purchasing small items. “If you get these apples, you can buy two of them. If you buy bananas, you can get three of them for this dollar. Which do you want?”

- Start identifying different coins and let your child make piles of them, count them, trade in different denominations (supervise, hand washing lessons).
- Collect money from foreign countries and compare.
- Do coin rubbings and talk about what shows up.
- Show different bills and help them make understand “equals” concepts, e.g., these ten pennies equal this dime; these ten dimes equal one dollar.
- Do activities that use money and cash registers, e.g., play store and bank.
- Talk about ways to earn money, e.g., straightening up shoes in mommy’s closet, sorting toys into their appropriate boxes and bins.
- Remember the thank-you notes to their gift givers!

II. Ages 6 to 7

- Continue using positive money management vocabulary, e.g., budget, afford, save, share.
- Think about giving your child a weekly allowance and / or chances to earn money. (Use an allowance as a teaching tool, rather than as a salary or entitlement or as a way to reward and punish.)
- Expand their Money Management system: use clear plastic containers labeled Savings, and add Spending and Sharing. Figure out family rules for what percentage goes into which category.
- Start idea of saving up for something special. Bar graph helps child picture how much more is needed to hit purchasing goal.
- For large purchases, e.g., a new bike, set up matching program.
- Help your child inform relatives about saving up for a major purchase with donations as a gift idea.
- Think about taking your child shopping to get holiday gifts or birthday gifts. “I bought this for you with my own money!”
- Play games that involve money, e.g., Monopoly, Money Bingo, Money Flash Cards, Money Matching Cards.
- Remember the thank-you notes to their gift givers!

III. Ages 8 to 11

- Help your child find more ways to earn money, especially outside the home -- chores for friends and neighbors, e.g., yard work, walking pets, taking the trash to the trash room.
- If using an allowance, time to increase it.
- Expand on the Money Management system by opening a checking or savings account so child can see how money grows through interest income and investing.
- Leverage interest in the stock market, if your child shows an interest.
- Help your child set up a budget and get a feel for earning, saving and spending on non-essential items.
- Begin keeping written records of expenditures. Have a place for him/her to keep receipts.
- Reinforce the differences between Needs and Wants.
- Set family ground rules around purchases: just because your child has the money, this does not mean he/she can have four ice creams in one day.

- Talk about ways to save money on purchases/comparative shopping, e.g., shopping discount vs. shopping at a high-end department store.
- Teach and monitor Internet shopping.
- Consider opening a mutual fund for your child, especially ones designed for children to help them learn investment performance by sending them easy-to-understand information and activity kits to teach them about investing.
- Consider investing in bonds, as they cost roughly half of their face value and the earned interest may be tax-free if used for a college education. Bonds also help kids appreciate patience in getting a return on their investment.
- Play board games: Grocery Cart, Allowance Game, Payday, Budget Game, Decision.
- Help them communicate in respectful ways to their standard gift givers about their saving up for certain purchases.
- Remember the thank-you notes to their gift givers!

IV. Ages 12 to 14

- Your child's buying desires will probably increase and become more expensive; they'll be paying more attention to what's in and what's out as they try to fit in. They will understandably want more financial independence, but they'll still need you to monitor and help them set and stay on a realistic budget.
- Teach them about comparative shopping, e.g., online, Bloomingdale's vs. Macy's vs. Target.
- Increase their allowance and help them figure out more ways to earn more money.
- Encourage and help them if they show some entrepreneurial interests, e.g., designing and selling greeting cards, escorting younger kids to after-school activities, being a junior helper at after school activities for pay.
- Help your child get a credit card set up with a small upper limit, say \$100. Help them understand the plusses and minuses of having a credit card. Help them understand PIF (Pay In Full) vs. partial payments.
- Play board games: Acquire, Budget, Purchase, Zip Around Money, Stock Market Tycoon.
- Help them communicate in respectful ways to their standard gift givers about their saving up for certain purchases.
- Remember the thank-you notes to their gift givers!

V. Ages 15 to 18

- Reinforce the Money Management Model (ESSS(I): Earn, Save, Spend, Share, (Invest) by requiring your child to earn money, set up and adhere to a budget.
- Introduce software to manage finances.
- Teach appropriate use of a personal credit card.
- Teach how to pay bills online.
- Talk about insurance, especially with older kids.
- Set up and monitor a checking account.
- Help interested kids understand the stock market and related concepts, e.g., online information sites and simulations.
- Board games can still be fun for the family! E.g., Stock Market Tycoon

Online Resources

(1) **Jump Start! Financial Smarts for Students**

<http://www.jumpstart.org>

(2) **Council For Economic Education** (formerly National Council on Economic Education (NCEE))

<http://www.councilforeconed.org>

(3) **Board Games for all ages**

<http://www.educationalllearninggames.com/money-games.asp>

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