Taking the time to teach your children good money habits now, will benefit them in the future. Children who are not taught about money end up paying the consequences later on in life. Many parents don't talk to their kids about money because they think they are too young, don't have time, or feel they don't have enough money. It's very important that parents take the time to teach children about money regardless of what their income may be and that they start at an early age. Below are some helpful guidelines and suggestions you may follow along with some activities you can use to teach children the ABC's about money!

How families use money can influence young children into adulthood. Children can become financially secure adults, or, they can grow up to live paycheck-to-paycheck in a state of constant financial anxiety.

**Set a good example**

Let children see you doing the things you want them to learn, such as making plans to save for a goal and accepting spending limits.

**Plan together**

Involving children in planning for events helps them learn to be responsible for wise spending. A child who has some say in where to go on vacation and what to do there is more likely to accept spending limits.

**The Approach**

Based on childhood experiences, many people tend to have different feelings and opinions towards money. These experiences, values, and beliefs will probably differ for each parent. It's important that parents talk about these feelings and come up with an approach as to how they will teach their children about money. Here are some questions you should consider that should help you focus your discussion:

* How will we create an open environment in which we can discuss money issues?
* How should children receive money? Should they have allowances or use another method?
* What are our values and attitudes about money that children may be observing?
* What do we communicate about money?
* How will we structure learning experiences about money?
* How will we respond to the effects of advertising and peer pressure on children's buying requests?

**What You Should Know**

Before you begin, you should keep the following guidelines in mind:

* Guide and advise rather than direct and dictate.
* Allow children to learn by mistakes and by successes.
* Encourage and praise rather than criticize.
* Be consistent while taking children's differences into account.
* Include all family members in money management discussions, decision making, and activities as appropriate for their age.
* Explain to children what they can and cannot do and the consequences of violating the limits.
* As children get older increasingly include them in discussions of limits and consequences.
* Expect all family members to perform unpaid, routine household chores based on their abilities.
* Express your desire to have things you can't afford. Children need to know that parents say "no" to themselves, too.
Teaching children about money is more than just preparing them for employment or how to save. It involves teaching them the positive and negative meanings about money. For example, children need to know that while it's nice to show people you care by buying a gift, you can also show someone you care by actions and words. There should be open communication between parents and kids about feelings, views, and opinions towards money. This will help the child understand that conflict does occur with money and that it should be discussed within the family. In many circumstances a compromise is necessary.

Children learn mainly through observation and example. As you teach children about money they will learn about responsibility, values and attitudes, decision making, comparison-shopping, setting goals and priorities, and managing money outside the home.

**Money Concepts To Focus On**

When teaching your children about money, focus on these money concepts: earning, spending, saving, borrowing, and sharing. You can begin to teach most of these concepts when children start to talk in sentences. Borrowing and sharing will probably come at a later date, probably later on in elementary school. They require the ability to understand math and other's point of view.

**Earning teaches:**
- A sense of freedom
- Financial independence
- Work standards and habits
- How to evaluate job alternatives
- Relationship of money, time, skills, and energy

**Spending Teaches:**
- Difference and balance between wants and needs
- Opportunities for comparing alternatives
- Making decisions and taking responsibility for them
- Keeping records

**Borrowing teaches:**
- Cost of borrowing
- Borrowed money needs to be paid back
- When it is appropriate to borrow
- Consequences of buying now and paying later
- Structure of borrowing
- The idea of credit limits

**Sharing teaches:**
- Good feelings for giver and receiver
- Helps other people
- Doesn't always require public recognition
- Obligations to give money to certain organizations, i.e. taxes to the government
- Giving of yourself rather than giving money or gifts.

**Saving teaches:**
- Saving as a way to get what you want or need
- Identifies the "pay yourself first" idea
- Planning and delayed gratification
- Interrelationship of spending and earning
- Different purposes of planned and regular saving

This is an exercise designed to help you evaluate what you are or are not doing to teach children good money habits for life. The stage of development of the child will dictate how involved you get with the topics presented in the questions. Use the development chart which follows to guide you in deciding about the level of involvement.

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do children have some money to manage without interference?</td>
<td></td>
</tr>
<tr>
<td>2. Have I helped children set up a spending and saving plan?</td>
<td></td>
</tr>
<tr>
<td>3. Do I avoid using money as a reward or punishment?</td>
<td></td>
</tr>
<tr>
<td>4. Do each of the children do some regular chores?</td>
<td></td>
</tr>
<tr>
<td>5. Do I set a good example by being truthful about money matters?</td>
<td></td>
</tr>
<tr>
<td>6. Do I give children more financial responsibilities as they get older?</td>
<td></td>
</tr>
</tbody>
</table>
7. Am I a good money manager, giving children a good example to follow?

8. Do I allow children to make their own decisions about money when there are alternatives?

9. Do I praise children if they have made wise decisions with their money?

10. Do I help children find ways to earn extra money that is age appropriate and suits their abilities and skills?

11. Do I allow children to make mistakes related to money and help them to understand consequences?

12. Do I sometimes verbalize my own desire to acquire more goods and services than my income can handle so that children know that I say "no" to myself, too?

Stages of Development

**Developmental Characteristics: Preschoolers**

- Understand the idea of saving when they can see and touch the amount.
- See money as a way to get things they want.
- See all money as having the same value.
- May think coins have more value than paper money.
- Understand the concept of borrowing by borrowing something and returning it (i.e. movie rental, library book).
- Know everyone must do unpaid routine family tasks.
- Need opportunities to make unpaid routine family tasks.
- Understand what is theirs and what belongs to others.
- Imitate much of what they see adults do.
- Choose between two or three items to be purchased.
- Can't differentiate between reality and fantasy.
- Can't see things from the viewpoint of another person.

**Developmental Characteristics: Elementary**

- May want to spend on trendy items for peer approval.
- Show more interest in having money.
- Capable of long-term planning for spending or saving.
- Understand to some extent how much money will buy.
- Often try to figure out ways of earning money.
- Understand the difference between needs and wants.
- Understand that money is limited.
Need guidance to understand the value of things (i.e. the amount one pays for shoes).

Concerned about fairness in how siblings are treated.

Can use math skills to keep track of expenses.

Need to feel an important part of the family and know that their opinion counts when making family decisions.

**Developmental Characteristics: Teenagers**

Want to make earning and spending decisions without consulting parents.

May be dissatisfied with household income and what it provides.

May borrow from friends to satisfy money needs.

May request to use parents’ credit cards if their peers are doing so.

Can begin to earn and save for long-term goals.

Understand that planning allows the family to set financial goals and work together to reach them.

Begin to deal with abstract concepts.

Begin to set goals and plans to reach goals.

Understand the trade-offs and consequences of their money management decisions.

Still need help in establishing limits.

Often test values with others.

Can see things from the viewpoint of another person.

There are many activities you can do to teach children about money. Here are some suggestive teaching activities for preschoolers, elementary kids, and teenagers.

<table>
<thead>
<tr>
<th>Preschoolers</th>
<th>Elementary</th>
<th>Teenagers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Play grocery store or bank with pretend money.</td>
<td>Teach children to check prices in newspapers and catalogs before buying.</td>
<td>Open a checking account and help them balance it.</td>
</tr>
<tr>
<td>Borrow or rent something they need to return.</td>
<td>Help establish the amount of their earnings to be saved and why it’s being saved.</td>
<td>Help them understand the use of cash and credit.</td>
</tr>
<tr>
<td>Have children do unpaid chores, like setting the table or putting away toys.</td>
<td>Play Monopoly or Pay Day games.</td>
<td>Help children return an item or write a letter of complaint about an unsatisfactory item.</td>
</tr>
<tr>
<td>Read stories about money</td>
<td>Plan how to share the cost of an item they cannot afford from their earnings.</td>
<td>Allow participation in family financial discussions about what to buy, how to save more, and how to cut expenses.</td>
</tr>
</tbody>
</table>
References


