

So You Want to Talk About Money... How to Approach Finances with Your Kids

Studies show that many parents are reluctant to talk about money and family finances with their children. Yet, the ability to responsibly manage money is incredibly critical to their success as an adult. From a very young age, children are picking up information about money from watching you and others, taking in your attitudes, your spending habits, or your financial troubles. Introducing the concept of money, spending and saving when they are young, and taking the time to guide and teach them about money, will help them become financially responsible as they grow up. Providing opportunities for practice, including them in family decisions, and leading by example are all ways to consider teaching vital lessons about money and money management.

Providing an allowance

Allowances are a helpful tool for teaching kids how to manage their own money.

However, an allowance should not be a reward -- it needs to be earned. Perhaps you pay them after they have completed their daily chores for the week, or perhaps you only pay them for the “extra work” they do outside the expected household chores. Regardless of the option you choose, make sure they know that they earned their money through hard work. In addition, if you want to further teach your kids about responsibility, consider

requiring your child to contribute in paying for something non-essential. For example, your young child could contribute a small percentage to the monthly-streaming service bill if they want to continue to use the service frequently or, very simply, pay a small amount for extra



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screen time. For older kids, you could encourage them to cover a portion of their phone service bill or pay for gas for their car. This will help teach them that all money is not “fun” money, and there are other responsibilities that come with earning and working.

Teaching how to save, spend, and give

When your kids receive money, whether it is their allowance money or a birthday gift, encourage them to split the amount into three separate categories: money to save, money to spend, and money to give. They could store the money in three different piggy banks, jars, or envelopes. As they grow older, consider opening up bank accounts. But no matter the holding place, the important lesson is the three different principles of money. Their “spending” piggy bank could be for the ice cream cone they want to buy later that week. Their “giving” piggy bank could hold the money to buy their friend a birthday present. Their “saving” piggy bank could be short-term, like saving for a special toy, or more long-term, like spending money for an upcoming vacation. This practice of splitting money will teach them foundational skills of budgeting and thinking long-term.

Giving your kids "interest"

If your child saves a certain amount of money, consider giving them extra money as a reward for their responsibility. This will be a powerful lesson that will teach your kids about compound interest, and they will be encouraged to allow their money to accumulate because it will ultimately lead to more money.

Talking about money and budget at the dinner table

The dinner table is a great way to talk about money in casual, day-to-day conversation and a great opportunity to show your children the importance of subjects like budgeting or paying bills on time. You could remind your partner to pay the bills or a loan, perhaps also using the time to explain the importance of paying on time and what happens if only the minimum is paid. You could also have budget-based discussions, like explaining that for the next month, your family will limit take-out food in order to cut

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down on food expenses. Including your children in the day-to-day money decisions will help them to understand how to responsibly manage money. However, these conversations should be calm -- don't argue about financial problems in front of your children. Instead, show the importance of patience and communication.

Setting goals

Creating goals to strive towards are important for both your child and your family. Perhaps your child wants to buy a video game, or your family wants to go on a big trip. Set a goal amount to save, and then lay out plans on how to achieve the goal. For a child, it might be as simple as saving as much allowance money as possible, or doing extra chores to earn more money. For the family, target areas of the budget that are not as necessary, like eating out or buying movies. Encourage kids to look for useful coupons for grocery store trips, or avoid buying name brand clothes and shoes. Use tracking techniques to show progress towards the targeted number. When your child and your family reach your goals, your child will feel a sense of pride and accomplishment.

Showing examples

Allowing your children to see where the money is going can be a helpful learning lesson. Show them electricity or water bills, explaining how their actions affect the amount of money owed -- the longer showers they take, the more expensive the water bill; the more lights they leave on after leaving the room, the higher the electricity bill. Explain how the mortgage works, and let them help you pay for the month. You can also show your kids your stock or retirement accounts to teach them the power of investing and saving.

Allow mistakes

Be a guide, rather than a controller, of your children's money decisions. If they run out of money or make a mistake, help them think about what they should have done, and what they can do in the future to avoid making the same mistake. Mistakes can be powerful lessons and teaching moments.

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Practice what you preach

When you are teaching your kids the importance of saving and managing money responsibly, it is critical they see you acting correspondingly. If your kids watch you routinely splurging on non-essential clothing items or eating out frequently and then complaining when you don't have enough money for an essential item, your lessons will not carry as much weight. Show your kids you can have fun as a family, without spending a lot of money -- go on picnics in the park, visit museums with free admission, go for a hike, or play board games at home. Let them watch you pay bills and point out when they are due. Let them see how to effectively handle money. And, if you do find yourself overindulging, act to fix it. For example, if you find yourself spending too much money on groceries, include your kids and make a budget on how much you want to spend each week at the grocery store, and don't buy more than that amount. Your actions speak louder than your words, and your kids are looking to you to help build the foundation of their financial understanding for the future.

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Sources:

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Originally posted on the Now What? Blog on 10.24.20 The Now What? Blog served for nearly 7 years to

1. Normalize parents seeking support and help as a manner of child abuse prevention
2. Engage community in how they can work to prevent child abuse
3. Work to build resiliency in families through promotion of the 5 protective factors

Maybe you coach a baseball team or you help care for the neighbor kids from time to time. You are investing in the safety and security of the children in our community. Because it truly does take a village to raise our children, we want to offer the tools needed to bring awareness and education to preventing child abuse.

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