

Teaching Your Kids About Money

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- ▶ Our ability to make financial decisions as adults is based on an accumulation of our experiences, beginning with what we were taught about money as children.
- ▶ This article addresses some steps that you might want to consider with your children or grandchildren to build their financial decision making skills.

Children rely on us to teach them how to be financially responsible. A financial education should begin early and, since we know children model behaviors, however you handle money will likely have a direct impact on how your children or grandchildren will handle money. Educating your children on personal finances can have a positive impact for the balance of their lives—a lifetime of healthy financial habits.

I remember thinking I had some work to do as a parent when my son, a preschooler at the time, thought you could just drive up to the ATM and retrieve your free money. He has since learned that the cash that appears from an ATM is the result of hard work. In addition, the supply of cash is limited and choices often need to be made as to how to spend or save that hard-earned cash.

Your family's values and approach to money will dictate how you educate your children about money, but below are some general thoughts that may be appropriate depending on the age of your children:

* Allowance—Besides building responsibility, an allowance provides a direct connection for your children between work and money. The tasks involved to earn the allowance will vary based on your household, but examples include picking up their toys, making their bed, feeding the pets, taking the dog for a walk, loading and emptying the dishwasher, and mowing the lawn. If your children are especially young, you might want to make a list and keep a chart of their chores and whether they have been completed.

* Saving—Once your children have received money through an allowance, a job, or as gifts, you may want to encourage them to save a certain percentage of that cash (e.g., 25%) and allow them to spend the remainder. The amount saved could be placed in a savings account with your local bank or in a Uniform Transfers to Minors Act (UTMA) account with a financial institution.

* Spending—For the amount slated to be spent, you may want to assist your children in establishing short- and long-term spending goals. For example, a short-

term spending goal may be to purchase a relatively low-cost item, such as a sweatshirt, while a longer term goal may be to purchase a more expensive item, like the latest electronic gadget. The short-term goal allows for some immediate gratification as a reward for the work involved in earning the money. The longer term spending goal builds the concept of delayed gratification. Whether working with a short- or long-term spending goal, the concepts of differentiating between needs and wants, as well as prioritizing purchases are good lessons to incorporate here too.

As your children get older, you will probably want to introduce the reality of taxes and tipping for services. One way to initiate these concepts is when visiting a restaurant share the bill with your children, explaining the cost to purchasing meals, the taxes that are added, and that tipping the wait staff is customary for the service (work) they have provided. Explain why taxes are paid and what our government offers as a result, such as the roads we travel on and the schools our children attend.

One of the gifts you can provide your children is a healthy appreciation for the value of work and money. Introducing these concepts at an early age can provide them with the foundation for a financially secure life.