

Teaching kids about money

4/28/2023



One of the best gifts you can give your children is to teach them how to manage money. This statement is true for families across the wealth spectrum.

When it comes to teaching kids about money, it's important to remember two things: Start early, and know that there isn't a one-size-fits-all approach. You may need to consider your child's age and their personality (is your child a natural saver or a natural spender?).

Here are some tips that can help parents set the next generation on a path toward financial success.

1. Emphasize saving — and giving.

When your children are young, you can begin with an exercise as simple as the three piggy banks. Set up three separate piggy banks (or envelopes, or digital accounts) with the following labels: spend, save, and give. Every time your child receives money, they can put a set percentage into each bucket. Repeating this exercise can help ingrain the habit of saving regularly. Plus, learning how to spend and save wisely are important, but the value of helping others also plays a meaningful role in money management.

2. Practice what you preach.

Kids are smart enough to pick up on whether parents follow the same rules that they set for their children. If you want your children to save some of their money and give back to the community, you should do the same. As your children get older, you can help them create a budget for their expenses, and you can share information about your budget with them. Modeling responsible financial behaviors is a good way to teach your kids about money.

3. Find teachable moments.

It can be difficult to find time to sit down and talk specifically about finances, but natural opportunities to teach pop up every day. For example, when you receive the electric bill, talk about it with your child, show them how you pay it, and explain how it fits into your overall monthly expenses. Or, when you receive a credit card offer in the mail, show it to your child and talk about the pros and cons of applying for a new credit card. For younger kids, a trip to the grocery store could include a discussion about wants versus needs and how to use coupons or store rewards apps to save money.

4. Provide useful tools.

Share budgeting tools with your older children and teens, such as a budget tracking app. High school students should know where their money goes each month so they can prepare for when they are out of the house and on their own. Set your teen up with a debit card so they can learn to manage the funds in their bank account. Consider adding them as an authorized user on your credit card so they can experience charging items and then paying off the amount due when the statement arrives each month. Banking and credit card apps also may appeal to your teen for easy access in seeing how much they have available and how much they've spent.

5. Add investing to the mix.

Once your children understand the basics of money management, add concepts such as what it means to invest, what companies one might invest in, and how

you assess risk with an investment. If they have earned income, consider opening a Roth IRA for them and matching what they contribute to it. This can give them an incentive to save for their future. And they may be more likely to continue to invest when they start seeing real results.

Above all, talk with your children about money. A healthy relationship with money can begin with an open and honest relationship within a family that models good money behaviors.

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