

Instilling Smart Money Habits



Want your kids to grow up with a solid understanding of saving, spending & investing?

Get them interested early. Even with preschoolers, it's never too early to plant seeds of learning about money. Here are a few tips on instilling smart money habits:

Start With a Piggy Bank

A piggy bank is a great way to let children hear, feel and see money growing from birthday gifts, the tooth fairy or from doing chores. As their money grows, ask them what they might want to buy while explaining the difference between *wants* and *needs* and that they don't need everything they see on TV.

"Three Jars" Allowance

Taking the piggy bank concept one step further, set up an allowance that is split into three jars: *spending*, *savings* and *charity*. Encourage how much goes into each jar by offering to match what goes into the savings and charity jars with your own money.

As your children grow older, give them more freedom with how they spend money from the spending jar, but also explain the importance of saving in order to buy something more expensive. Over time, increase their allowance along with giving added responsibilities of covering additional expenses.



Make Saving a Habit

Set a rule that your children have to save at least 10% of their income regardless of whether it comes from their weekly allowance, a part-time job or the tooth fairy. Introduce this concept early and they won't put up much resistance. Without guidelines, don't expect them to follow this discipline on their own. Saving money is a learned habit.

Next, have your children write down a wish list and timeline on when they want to buy items on their list. Visualizing a goal can spark added motivation to save. Like their own 401(k,) you can also incentivize them to save by offering to contribute a matching amount to every dollar they save.

Get A Job

The sooner you introduce the idea of getting a job, the more motivated your children will be. There's a tremendous sense of pride that comes with getting a job and earning a paycheck. Having a job instills humility in working for someone and helps children form relationships with people outside their family circle. A job can also spark passion and an entrepreneurial spirit, not to mention learn valuable lessons from dealing with adversity or working for a difficult boss.

Plan A Budget

Planning a budget offers a great way to prioritize between *needs* and *wants*. Life is about trade-offs and children need to learn that they can have some things, but not everything. Have your children write down what they buy each month and how much each item costs. Next, have them list their monthly income. If the two don't match up, they need to prioritize their needs and wants. Reinforcing the "three jars" concept, encourage them to include savings and giving to charities as line items in their budget.

Investing In The Future

An added incentive to save, introduce your children to the idea of investing in the future or *making money on your money*. From opening a savings account to investing in Google or Apple, there is a wide range of investing opportunities for children. With every investment

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however should come a conversation about setting goals and expectations as well as understanding risks associated with each investment.

Keep in mind the goal is to provide an education, not necessarily to maximize return. At the end of the day, the most important lesson is understanding that savings and investing is a thoughtful and disciplined process, not a speculative, get rich dream.

In Closing

As with any habit, make sure that you follow through on a regular basis as promised. After all, what message do you send if you don't follow a consistent routine yourself? Also, don't tie an allowance to chores. The goal is to help your children learn how to manage money, not to discipline them. If they neglect their chores and don't get an allowance, the opportunity to learn about money is forfeited.

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