Daily Union Article
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Title: Teaching Kids about Money – Part 1 of 3

My dad liked to use a phrase, "Can't see the forest for the trees" when it came to missing the big lessons life has to offer because of all the "trees" life puts in our way. One of those lessons we can offer our children is to teach them about money starting at a young age. You can't go through a day without hearing something on the news about budget cuts, overspending, underfunding, or similar money-related challenges we face in America. Unfortunately, too often as parents we are simply trying to make our own finances work out and neglect to intentionally teach this life-lesson to our children. We don't show our kids the forest, because we are simply trying to navigate the trees in our life!

Motivation to teach children about money should stem from the statistics that prove many of our families in the United States have their back against the wall in the area of finances. The US Federal Reserve released updated information about consumer debt in their December 7, 2015 report that indicates to date, consumer credit increased at a rate of 5-1/2 percent. Revolving credit increased at an annual rate of 1/4 percent. What does that mean? Americans have increased the revolving credit (mostly made up of credit card debt) from $888.0 billion in 2014 to $923.6 billion by the fourth quarter of 2015. Add to that the ongoing decline in percentage of Americans that have adequate saving, it is obvious that we are struggling as a nation to get a handle on money management. *Source: Federal Reserve Consumer Credit – G-19 Report retrieved from http://www.federalreserve.gov/releases/g19/current/default.htm*

Part of the challenge in turning this trend around is our tendency to confuse the importance of needs over wants. Instant gratification has become more of the norm rather than the exception it once was. Children see how we prioritize our spending and, just like they learn their speech from their caregivers, they learn attitudes and behaviors about money.

What can parents do to help their children get off to a good start in understanding and handling money?

1) Start Now! Get past any fear you have of talking to children about money. It is a part of life that affects each of us every day. The topic of money can, and often does, elicit strong feelings and opinions. Perhaps that is why some parents avoid the topic in their home. Parents may each have differing views about money that discourage them from sharing information with children. You and your

partner need to find common ground when it comes to this important life lesson. Talking about money with your children, while conveying a consistent message, is the first step to teaching them how to handle it wisely.

2) Communicate with children on <u>their level</u> not your own. The terms and approaches used should be age appropriate. Starting with toddlers on counting pennies is a simple way to help them understand the value each penny has in a way that is fun and simple. They may not be able to add, but they are learning to count. As they approach 1st grade, they are typically learning the value of different coins, but may not be quite ready to add bills into the picture. You can ask them to help you count out change at the checkout or in simulations with games at home. There are some really great online games offered through the Washington State Financial Education Clearinghouse at http://dfi.wa.gov/financial-education/games-kids
3) Determine how your children will receive or earn money. There is no steadfast "right" or "wrong" way to handle this. Some parents give money through an allowance, others give money for gifts, while yet other may simply give it out as needed. Each family has its own financial resources and limitations, so each family needs to work within those unique boundaries. My own experience has told me that kids learn best with real life experiences, so actually *having* money to manage is important in teaching kids how to do it.
4) Teach money concepts that center around **earning, spending, saving, sharing, and borrowing.** The first three concepts can be introduced to children as soon as they begin to talk, while the latter two require math skills and the ability to see something from another's point of view as part of the learning process. Borrowing and sharing are better saved for mid- to late-elementary aged kiddos.
5) It is important to expect children and all family members to perform tasks in the home that are completed without pay. Doing so teaches responsibility as well as strengthens the family unit as everyone sees they have an important role in a healthy functioning family. That being said, there might be some tasks that are "above and beyond" the normal routines of the home that might warrant getting token pay for. As a child, sometimes my dad would pay me to wash the car and clean out the inside as a way to earn money before we left on a trip. Of course, I got paid only after the car passed his inspection!
6) Whether it's a younger child earning money from mowing lawns or babysitting or an older child delivering newspapers or working at a restaurant, you need to talk to them about the responsibility and financial risks, your expectations about how earnings are used, and the level of support you will provide (i.e., driving them on the paper route when it rains or providing transportation to/from the restaurant).

Setting these financial foundations in place will guide you in future life lessons about money. Next week, look for more specific ideas about teaching your children about money. Until next time, keep living resourcefully!