

Financial Planning Matters

SEVEN TIPS ON HOW TO TEACH KIDS ABOUT MONEY

1 Share information about the family finances. Your child doesn't need to know your annual salary, the amount of the monthly mortgage payment or the amount in investments and savings, but they do need to know where the family stands financially. They need to know how money decisions are made and how parents save for the things they need and want. If money is tight, they need to know that there is no money for extras.

2 One of the best tools parents have for teaching financial responsibility is an allowance. Allowance isn't money a child earns for doing chores. Children should have age-appropriate chores that they do, without pay, simply because they are members of the family. The amount of the allowance should be age appropriate. Allowance money can be used for gifts for family members and friends and other needs. This is a good way to teach kids to give to charity, save for college, or other long-term goals.

Allowances should be paid with small bills. If the monthly allowance is \$10, they should receive ten \$1 bills so that they can allocate appropriately to short-term and long-term goals.

3 Show your children how to plan for purchases by always making a shopping list and purchasing only those things on the list. Use regular shopping trips as an opportunity to teach children about good shopping choices. It is estimated that impulse buying results in wasting 20% of our money. Your unplanned purchases will influence your child's future spending habits.

Children learn mainly through indirect teaching. Through observation, children learn a great deal more than parents generally realize. Using some of these tips will give your children practice skills and knowledge that will get them on the road to financial success.

Money gives people, both young and old, decision-making opportunities. Educating and empowering children to become regular savers and good money managers will impact their lives more than many other lessons they will learn. Here are a few things you can do to teach kids about money.

4 Teach kids about borrowing money when they are young. Let's say your daughter wants to buy dad a Father's day gift that costs \$20, but she only has \$15 saved. Advancing \$5 from the next allowance may be a good idea if you make it clear that this will be a one-time event. If you advance money frequently, then they won't learn about credit and budgeting.

5 Take your child to a bank or credit union to open their own savings account. Beginning a regular savings habit early is one of the keys to financial success. Don't refuse to let them withdraw when they want to make a purchase. This may discourage them from saving at all.

6 Have your children set goals by making lists of needs and wants or necessities versus luxuries. Review the lists with them to help reassign items from necessity to luxury. Explain that no matter how important a video game is to them, it's not a necessity, but may be a realistic goal that they can attain through saving.

7 Allow your children to make spending decisions. Whether good or poor, they will learn from their spending choices. Encourage them to do research and open a discussion with them regarding the pros and cons of their spending choices.

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