

Kids and Money

Teaching Children to Manage Their Finances



Set Goals Together

It's possible to meet your financial goals whether your income is small, medium or large. Say it out loud...It's all in the planning. Regardless of what you might have heard, millionaires are not made overnight, and they don't just trip over a money tree. They set goals and work hard to reach them. (*Hint: Setting goals as a family can make it easier. Everyone has a voice, and everyone gets something in return.*)

Family Activities

Activity One: Give each family member a sheet of paper and pen. Ask them to write down one short-term and one long-term purchase goal. Examples of short-term goals include purchasing a family computer and saving for holiday gifts or next summer's vacation. Examples of long-term goals include buying a home and saving for a college education or retirement.

- Set dates for reaching your goals.
- Be realistic. (*Hint: The budget activities may help you here.*)
- Be flexible. Things happen. Don't beat yourself up if you don't meet the date. Just adjust accordingly. All "bumps" should be discussed to ensure everyone in the family understands what has happened.
- Check your progress toward your goals quarterly.

Activity Two: Get your child to list his or her short-term goals or things they would like to purchase in the next year. Write down how much each item costs. Now, figure out how long it will take your child to earn enough money, based on his or her weekly allowance or income.

Help your child decide whether his or her goal is really worth the time and money they will spend to achieve it. If they want a shirt that costs \$65 and make \$10 a week in allowance, it would take saving their entire allowance for 6 1/2 weeks to earn the money to buy it. Now, get your child to list a less expensive alternative and see how long it would take to save for that item. What could they do with the savings? Is purchasing the \$65 shirt worth it?

Everyday Opportunities to Talk About Money

In the car. If you are like most families, you spend a lot of time in the car. You have a captive audience when you are locked in a vehicle together. This can be the perfect time to talk to your children about money, saving and budgeting.



Develop a Budget

True, creating a budget isn't ice cream-and-cake fun. However, to reach your goals, you will first need to find out where your money is going. (*Hint: It probably isn't going where you want it to.*) Write down your total monthly take-home pay (income). Then write down your monthly expenses. Subtract your expenses from your income. This should result in a positive number.

Family Activities

Activity One: Give each family member a copy of the budget and a highlighter. Have them highlight areas where they think the family could cut back and save. (*Hint: Look at the expenses such as dining out and entertainment first.*) When the children highlight the mortgage payment, this opens the opportunity to explain the difference between fixed expenses and variable expenses. If you have older children, give them the grocery list for the week and ask them to check grocery ads for the best deals on what you want to buy. They can also look for sales on staples that can be stockpiled.

Activity Two: Give each family member a small notebook with the words "Out-Of-Pocket Expenses" written on the cover. (*Hint: Most families find the money taken from the ATM seems to go up in smoke—and quickly.*) This is a fun, eye-opening activity showing how small purchases, such as sodas, candy bars and vending machine snacks, can add up. Track expenses for several weeks and then hold a family meeting to discuss your findings. You can even help younger children track such things as requests for quarters to play games or ride mechanical rides at supermarkets.

Everyday Opportunities to Talk About Money

Shopping together. What better time is there for a reality check than when you go shopping? Show your children what their favorite items really cost. Start when kids are younger and try to teach them about stretching their dollars, impulse purchasing, sales, quality and making good decisions. This can also be a chance to talk about your household budget, wants and needs, and where their purchases fit into that budget.



Start Saving

By now you have set some goals and have taken a hard look at the family budget. Hopefully, you have identified some areas for improvement and can now squeeze some savings out of your budget. Small amounts of money saved regularly add up quickly. (*Hint: Most families find it easier to save money they never see.*) This can be accomplished by having a portion of each wage earner's paycheck deposited directly into a savings account each payday.

Family Activities

Activity One: Place a spare-change jar in the laundry room. Place all money found in the clothes hamper, washing machine, dryer, couch, etc., in the jar for six months to a year. At the end of that time, bring the family together to sort and count the money. This activity shows how small change (and even forgotten paper money in pockets) can add up. (*Hint: This activity works best when family members keep their hands out of the jar!*)

Activity Two: Collect four, clear containers—such as jam jars, pickle jars or wide-mouth water bottles—to use as banks. Label them “Save,” “Spend,” “Give” and “Grow (Invest)”. Decorate each bank with pictures of your child's short-term and long-term goals. You can use stickers, images from magazines or drawings. This keeps them focused on what they want to buy and save for, while watching their money grow. Work with your children to decide what part of their money goes in each of the four banks. Once you've decided, stick with the plan! Discipline is important for creating habits that last. Decide how you will make their savings and investments grow, either by matching what they save or using a form of interest. They will need encouragement to save, rather than spend!

Everyday Opportunities to Talk About Money

Watching TV. Here's your big chance to play devil's advocate to the ads that bombard your kids every day! In addition to the countless number of ads you watch, the programs often raise interesting topics about saving and spending, setting priorities and living on a budget. Discuss with your kids if what they are seeing is realistic. You can help your children make sense of the massive amounts of messages they see every day.



Resources for Parents

www.stlouisfed.org/education_resources/consumers/

The Federal Reserve Bank of St. Louis has FREE resources for consumers and others who want to learn about economics, personal finance and the Federal Reserve.

www.themint.org

This web site, called The Mint, features interactive topics on earning, spending, saving, tracking and investing. Good for parents and children. Sponsors: National Council on Economic Education and Northwestern Mutual Foundation.

www.jumpstart.org

The National Jumpstart Coalition's web site is a clearinghouse of information on life skills and money management for prekindergarten through grade 12.

www.ncee.net/resources

The National Council on Economic Education's web site lists parent resources, such as the Financial Fitness for Life series.

www.consumerjungle.org

This web-based program helps turn high-school-age children into savvy consumers. The parents section has helpful tips to guide young adults.

www.pbskids.org/itsmylife/money

The Public Broadcasting Service provides a wealth of resources on money, saving and spending on this interactive web site.

www.aba.com/ABAEF/pages/teachchildrentosave.aspx

The American Bankers Association's "Teach Children to Save" program helps young people develop a savings habit early in life.

www.mymoney.gov

The Federal Financial Literacy and Education Commission web site offers resources and links on money management.



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