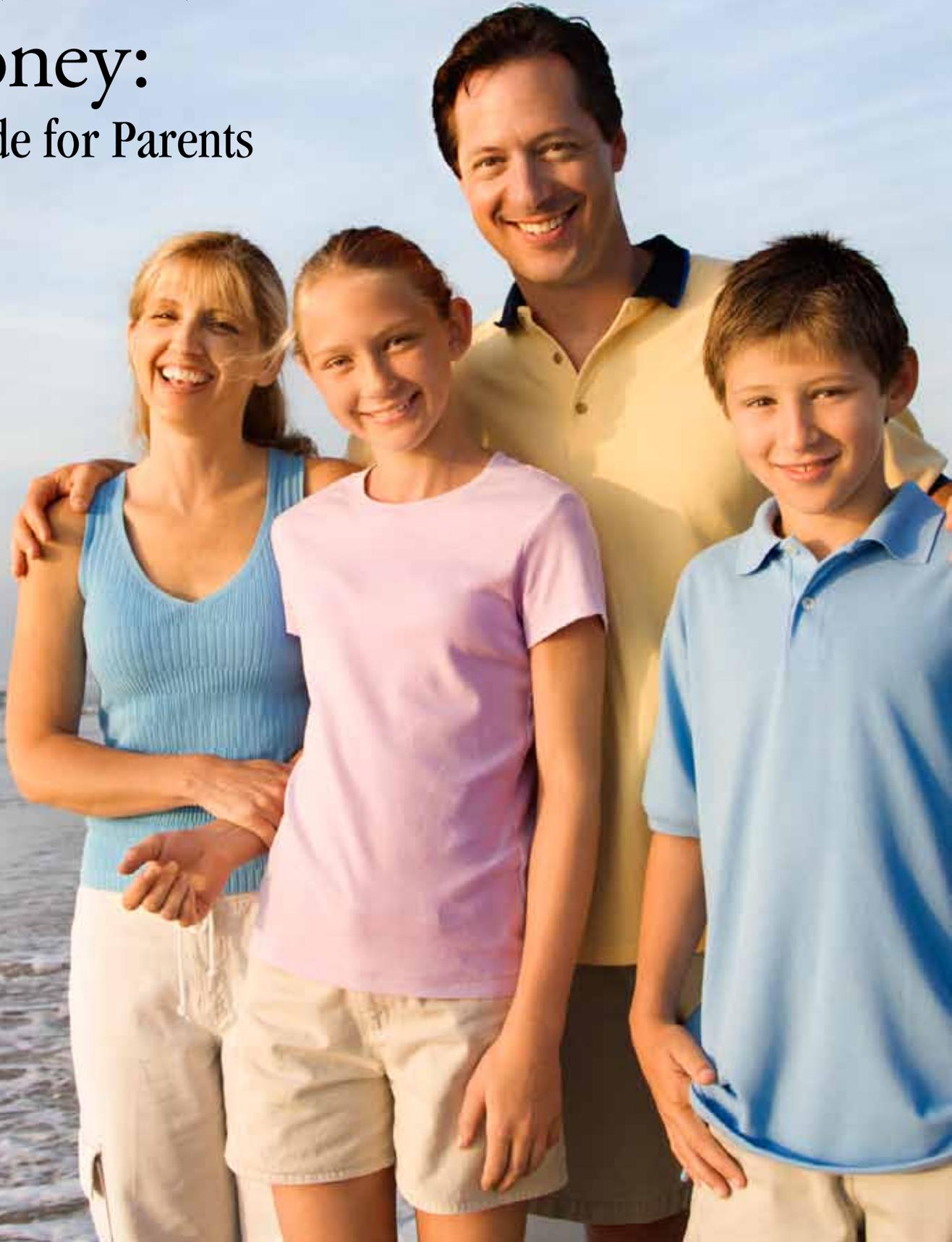


Kids and Money: A Guide for Parents





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As a parent, you have a lot to share with your kids about earning, saving, spending and managing money responsibly. You play an important role in teaching your children about financial planning, whether they are in preschool or high school.

This guide, from the Financial Planning Association® (FPA®), offers suggestions for teaching kids money skills that they can carry with them the rest of their lives. We'll look at:

- [Getting Started: When and How](#)
- [Making Money: Allowances, Chores and Jobs](#)
- [Saving Money: Goals, Piggybanks and Saving Accounts](#)
- [Spending Money: Choices, Budgets and Debt](#)
- [Investing in the Future: The Big Picture](#)
- [How a Financial Planner Can Help](#)

You'll also find a [goal-setting worksheet](#) to complete with your child, [activities](#) to do together, and a [checklist of money skills](#) to work toward.

Getting Started: When and How

- **When should I start?** Many experts say you should start talking to your kids about money as soon as they can say "I want." Show preschoolers how money works using simple, concrete examples like trading. At any age, take advantage of opportunities to model how you make money decisions as you shop, pay bills, go to the bank, cook and so on.

- **How can I talk to my kids about money when I haven't done a very good job of managing it?** Even if you don't say a word, your children will watch how you handle money and learn from it. You're a role model, but you don't have to be a perfect one. Think about the money behaviors you're demonstrating in front of your kids, and try to make them as positive as possible. Talk to your children about what you do well with money, mistakes you have made and what you plan to do better. Share with them your emotions and values related to money. For example, you might say: "Our family plans for the future, so we don't spend everything we get." Or, "Our family does financial planning because it will make our life better." **Learn more:** "[Starting Your Financial Plan: A Beginner's Road Map](#)" guide, and "[Budgeting: Managing Your Money with a Spending Plan](#)" guide.



- **Write a family financial mission statement.** One way to get a money conversation going with the whole family is to write a financial mission statement together, outlining your family's values and priorities when it comes to money. Invite your kids to brainstorm answers to questions such as: What's most important about our family? What do you think our goals should be? What can each of us do to get the money we need to reach our goals? What should we do differently with our family money? What should our family do to help our community?"

Making Money: Allowances, Chores and Jobs

If you want your kids to handle money effectively as adults, give them hands-on practice as kids. Allow them to earn money, manage it and learn from experience. Let your kids benefit from small mistakes now so they will learn how to avoid perhaps much larger ones later.

- **Allowances and chores.** Deciding whether to pay children an allowance is a family decision, but it's one way to give kids some money to manage. Try to match allowance amounts to expenses you expect your children to spend, so they learn that their spending is not unlimited. Pay the allowance regularly, such as once a week, and help your kids set up a system for handling their cash. Decide if you want to tie the allowance to household chores, or if chores are an expected part of family life and are done without pay. Some parents do not give an allowance at all, but instead pay their kids for jobs around the house so they learn that money must be earned.

- **Part-time job.** A job is a great opportunity to educate your teen on a variety of life lessons — how to look for a job, prepare for an interview, get along with co-workers, start a small business, use a checking account and more. Your teenager will probably make some mistakes along the way. But, that’s to be expected. Let them learn from their mistakes, but be ready to coach and encourage them.

Saving Money: Goals, Piggybanks and Saving Accounts

One of the best things you can do to help your children become financially stable as adults is to instill in them the habit of saving money. Here are some suggestions:

- **Set savings goals.** Show your kids how to set a goal for their savings. Young children do best with concrete goals that can be reached in a short time. Find a picture of something your child wants and hang it on the wall. Help them shop for the best price, show them how much they will have to save each week to reach their goal, and mark off the weeks on a calendar. Older kids can write down their goals, but the process is the same.
- **Have a place to save.** Whether it’s a piggybank, an envelope labeled “Save,” or a savings account, help your children have a place where they can save their money and keep track of it. Make sure they understand that this money is for reaching a goal, not for spending immediately.
- **Share as a goal.** Many families encourage their children to allocate part of their money for a charity or other special cause the child chooses. Ask how much they want to donate and provide a separate piggybank or an envelope labeled “Share” for this money.



Spending Money: Choices, Budgets and Debt

- **Making choices.** Allow your kids to make their own spending decisions with their money — and learn to live with the consequences. To get them started, you might ask why they plan to buy something, how they plan to pay for it and what they will have to give up in return. This is also an opportunity to have a discussion about the difference between wants and needs, and why needs should take priority. For young children, here’s another way to demonstrate spending choices: When you go out to eat, ask if the child would rather have a soft drink that costs \$2, or a free glass of water plus \$2 to put in his or her wallet.

With older children, make sure they clearly understand what you are willing to pay for and what expenses they must cover. Keep the agreement ironclad to teach your teens accountability. Be ready to say “no” when they run out of money and ask for more.

- **Budgets.** One way for older children to learn how to manage money is to use a budget. Teens can use the budget form found in the “[Budgeting: Managing Your Money with a Spending Plan](#)” guide. Once a week or month, sit down together to discuss how well they are following their budget. If they’ve blown it, they’ll be broke until their next pay day, but they’ll also learn some important lessons about spending and saving. Younger children can do a simple budget with envelopes: one for saving, one for spending and one for sharing.
- **Debt.** Help your teen learn about credit and debt while they are under your roof. For example, you could co-sign on a low-limit credit card with your teenager to use for agreed-upon expenses. Make sure the bill comes to the teenager every month and that it is repaid by them in full and on time. If not, cancel the card.

Investing in the Future: The Big Picture

Research shows that affluent people take a long-term perspective on their finances. Help your child do the same. Talk with them about their future — what job they would like to have, what education they will need to get that job and how you will work together toward that goal. Help them understand that they are investing in themselves when they study hard and get good grades in school. And, make sure they always understand that their self-worth is more important than their net-worth.

How a Financial Planner Can Help

Financial planning is the process of wisely managing your finances so that you can achieve your dreams and goals - while at the same time helping you negotiate the financial barriers that inevitably arise in every stage of life. Managing your finances is ultimately your responsibility, but you don’t have to do it alone. A qualified financial planner can help you make decisions that make the most of your financial resources.



The Financial Planning Association can connect you with financial planners in your area. Go to www.PlannerSearch.org or call 800.647.6340. **Learn more:** [Choosing a Planner](#).

If you work with a financial planner from the Financial Planning Association, ask him or her for other ideas on ways to teach your kids about money. Financial Planning Association members volunteer with Junior Achievement to teach children about financial planning in our nation's schools and have a variety of ideas on how you can teach your children good financial planning skills.

A Goal-Setting Worksheet

Use this worksheet to show your child how to set a goal and make a plan to reach it.

Step one: Set a goal

Is there something you need, like school supplies? Or something you want, like a skateboard?

Write down your goal. _____

Step two: What will it cost?

Shop online or at stores to find the best price and quality for the item you listed above.

Cost: \$ _____

From: _____ (store or Web site)

Step three: Make a spending plan

1. How much money do you earn or get as an allowance every week (your income)? \$ _____
2. How much money do you spend every week (your expenses)? \$ _____
3. How much money is left over (subtract expenses (2) from income (1))? \$ _____
4. What is your weekly savings goal: \$ _____

Step four: How long will it take?

Divide the cost of the item by your weekly savings goal. Write down how many weeks it will take to reach your goal: _____

Step five: Save faster

Think of ways you can cut back on your spending so you can save more money each week. Write down your ideas: _____

Think of ways you can earn extra money so you can save more. Write down your ideas:

Step six: You've reached your goal

You set a goal and achieved it. Enjoy your purchase — you earned it!

15 Money Learning Activities to Do with Your Kids

Pick and choose from the following ideas, depending on your child's age and interests, or add your own. Have fun!

1. Go on a walk through the neighborhood and brainstorm jobs that your child might be able to do to earn extra money, such as raking leaves, walking dogs, washing cars and so on.
2. Play a board game that teaches money concepts. A few ideas: "Payday," "Monopoly," and "The Game of Life."
3. Take a tour of a bank and talk about what banks do and how to use banks responsibly.
4. Have a shopping contest. Make a grocery list and see who spends the least to get everything on the list.
5. Let your child practice writing checks (except the signature) to pay some of your bills. Have them bring your check register up-to-date.
6. Start a small business together. Plan what you will do (make greeting cards, mow lawns, etc.), how much it will cost to get started, what you will charge and how you will find customers.
7. If you decide to loan money to your child, charge interest so they can learn the ramifications of borrowing.
8. Ask your kids to clip coupons for items you buy at the grocery store. For every dollar saved from these coupons, share a percentage of your savings with them.
9. When you buy something at a store, have your child pay for it with cash so he or she can count out the money and practice getting back the correct change.
10. As you walk through a store, have a contest to see how many items you each can list that are "needs" and "wants."
11. For every dollar your child saves, add a percentage more — for example, a dime for each dollar — to illustrate the concept of earning interest.
12. Plan a vacation together. Talk about places you might go as a family, what it will cost, how much the family can spend, and then reach a decision together. Brainstorm ways your kids can earn spending money for the vacation.
13. Go on a family budget. Explain to your kids why you need to cut back on spending and together set a goal to reduce the family's spending by, for example, 10 percent. Ask for ideas on how each family member will contribute toward reaching this goal.
14. Cash your next paycheck and ask the kids to join you as you pay bills for the month, counting out the cash to illustrate how money works in tangible terms. If you don't have enough cash to cover every bill, discuss the decisions you will have to make.
15. Shop for a car together so your teen can learn how to estimate the cost of buying, insuring and maintaining a car. Go online, visit dealerships and introduce your teen to your insurance agent and mechanic.

Money Skills: A Checklist

Do your kids have the following money skills? Use this checklist to keep track of what they already know, what you are teaching them now and what you will teach them as they get older.

Skill	Yes	Learning Now	Teach Later
Recognizes money denominations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counts money correctly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gets back correct change at a store or restaurant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Saves money for a goal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Developed the habit of saving money	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Earns money by doing chores around the house	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Opened a bank savings account	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Spends own money to buy things	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knows how to compare prices and shop for the best deal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cut back on spending to save for something	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knows how to write checks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Practices balancing a checkbook register	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knows how to use a debit card and keep track of the balance in a checking account	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Understands needs versus wants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Understands the concept of earning interest on money	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Explains how a credit card works	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knows the difference between saving and investing money	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Keeps track of his or her money with a budget or other system, such as envelopes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has a part-time job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Manages his or her own checking account	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>