

Raising Financially Fit Kids

Did you know that 75% of parents think teaching kids about money is a moral imperative, but only 36% report knowing how to do so¹? These statistics speak both to the perceived importance of the task and to, the high level of financial illiteracy in our country. It is up to us to break the cycle and provide the next generation with a better chance at financial prudence and success.

Teaching your kids about money gives them important life skills, such as independence, responsibility, self-confidence and hopefully, good judgment. Who wouldn't want all those things for their kids?

Below is my list of key concepts for teaching young (under age 8) kids about money:

1. Values First

Determine your financial values and rules first. Sit down with your spouse and talk about how you were taught about money growing up and any money messages you learned from your parents. Then agree on four or five key money values that you would like to teach your kids. Kids are great at picking up on inconsistencies between your words and your actions, so be sure you are living by the values you communicate to them. Also determine general rules for how they should use the money.

2. Allowance – Yes!

Do start an allowance. Some experts say you can start as early as age 3, but it should be based on when your child starts showing an interest in money and what it can buy. An allowance is meant to be a learning tool, not a salary or entitlement. Experts vary in how much they believe is appropriate for different ages, but I like the approach of giving enough so they can cover the expenses you'd like them to cover (e.g., toys, rides at farmers' market) after putting some aside for savings. Another popular approach is one dollar per year of age per week, so a four-year old would get \$4 per week.

3. Divide It Up

Start teaching kids early that they can't spend all of their money and you'll give them a great life skill. With young kids (ages 3-5), keep it simple with just two buckets for saving and spending. Once they get a bit older (ages 5-8), you can add a third and fourth bucket for giving and short-term savings (e.g., for an expensive toy). Come up with a division that seems appropriate and consistent with the money values you are teaching them. You can also apply the same split to money received as gifts.

4. Chores – Just Say No

Don't tie the allowance to chores, at least not at first. This can confuse the basic money skills you are trying to teach them and can be complicated to track and enforce for busy parents. This isn't to say that children shouldn't have chores, just that they shouldn't be

¹ Joline Godfrey, [Raising Financially Fit Kids](#) (Berkeley, CA: Ten Speed Press, 2003) 6.

tied to receiving their weekly allowance.

5. Consistency Always

Be consistent, in timing, amount and rules. Create a pay day and always pay them their allowance then. Also be consistent in how the allowance can be used and how much you give them. Also be consistent in communicating the money values mentioned above.

6. Balance Saving and Spending

Teach them about both saving and spending. Both skills are critical money life skills to learn. Spending wisely can be just as important as saving. This can involve teaching them about budgeting, how to determine the best price for an item and prioritization.

7. Wants vs. Needs

Teach them about wants vs. needs. This is a basic skill that many adults don't possess. Start early and it will serve them well their entire life. In case you are wondering, the basic needs are food, water, shelter and clothing. Everything else is to some degree a “want”.

8. Teachable Money Moments

Use everyday moments to teach them about money. At the store, the farmers' market, the gas station - all can provide great teachable moments. Talk to them about what you are doing with money and why it is important.

9. Make it fun!

Otherwise, they'll lose interest and tune out. Try and create some games for them with coins, such as money bingo or sorting. They can also decorate their piggy bank or a piece of paper with pictures of the items they are saving for.

10. Resources

There are lots of books and internet resources for teaching your kids about money. Some of my favorites are:

- Raising Financially Fit Kids by Joline Godfrey. My favorite book for parents on the topic with specific tasks for teaching kids of various ages about money.
- Money Doesn't Grow on Trees by Neale Godfrey. Another great book for parents.
- The Berenstain Bears' Trouble with Money by Berenstain. A fun book for kids about money and the trouble it can cause.
- Money Savvy Pig. A clear plastic piggy bank with four compartments (i.e., spend, short-term savings, long-term savings and giving).
http://www.msngen.com/assembled/money_savvy_pig.html

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