

Money Matters With Kids

Growing up in poverty, there wasn't a lot of cash to manage, but there were many ways to experience money troubles. I watched my parents repeatedly overspend using credit cards, then file bankruptcy when they were in debt so deep that they couldn't get out. Aside from this pattern, I had no idea how to manage money as I broke out on my own.

Money management became even more important a few years ago as I faced a job loss, and my husband and I found ourselves forced into raising our family of four solely on his income. We were also several thousand dollars in debt with no end in sight.

Determined not to follow my parents' example, my husband and I buckled down and worked together, clawing our way out of debt before my paycheck stopped arriving. I transitioned into my role as a stay-at-home parent, focused on saving every penny possible while raising my two boys, who are now seven and four years old.

As my oldest child in particular began to be aware of his world, he started to want things that cost money. I decided to take these every day opportunities to begin teaching him how to manage money.

Explain Our Culture

Usually when my two boys want toys or food, they've either seen the products in a store or on TV. Instead of dismissing these desires out of hand, I take the opportunity to discuss with them why they want particular products.

I start by asking them why they want a particular product they're requesting, and usually I can point out that they've seen it on TV or in a store we've been in. I then explain that people in companies who make those products also make the commercials to advertise them. Next I point out that when we go to a store, these products are down at a level where my children can see them, and that this is a strategy to help sell these toys or food items.

I'm careful to point out that these desires aren't "bad," but to take a few minutes to think about where their wants come from,

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and contrast these with our family's needs and priorities. One of the biggest priorities for us is to live within a budget, and we can't do that if we impulsively buy anything we want.

Set Up A System

Each of my kids has three piggy banks: one is for Giving, one is for Saving, and the last one is for Spending.

Each week, my children get an allowance from me based on what I think is age appropriate - for example, my seven year old gets \$2.50 a week. I give out allowances on Sundays in small increments so that the money can be divided between the three banks.

The purpose of the Giving bank is to donate money to an organization in our community or to our local church. My kids decide every month or so where the Giving money goes. When we adopted our puppy earlier this fall, my son and I discussed how his "Giving" money could help the Humane Society. There are many organizations that can benefit from donated funds.

The Saving bank is for saving money, and our guideline is that if money is put in that bank, then it's going into the actual savings account at our local bank. The amount collected is matched each year on his birthday when he deposits it into his account, and it is not to be withdrawn.

And probably the favorite bank of both my children is the Spending bank. That money is theirs to spend as they see fit. They also use this bank to collect money for larger purchases, instead of spending it out of hand as soon as they receive their allowances.

Consistency is Key

In our family, the weekly allowance is not tied to chores that are done around our house; we're all expected to work together to maintain our living space. We all have chores each day, and my husband and I also get an allowance as well in the form of cash that isn't tied to household duties.

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Usually on payday, I get a specific amount of cash in small increments to use throughout the month for the kids' allowance each Sunday. They also receive allowance on the same day each week - for us it's Sundays - because it helps them plan for purchases they want to make and helps teach them consistent realities about money. The most important of these realities is that if you don't have the money, then you can't spend it.

This also means that it's important to avoid rescuing children when they experience this reality. Sometimes it's tempting or easy to think, "I'll just buy this for him/her *this time*." However, I think this works against the whole idea of teaching kids about managing money, and there won't be anyone to rescue them as adults.

But what should our kids buy with their allowances? For my kids, these don't include necessities like food, clothing or even entertainment. When instances come up when they want to do something fun, my husband and I are honest about what we can spend with our budget, and there have been times when our children have chosen to contribute using their allowance money. Most of the time, however, they buy \$1 toys, candy or gum - stuff that I won't usually get them from the grocery store.

It's never too early or late to begin teaching kids about money management. From a simple conversation in the grocery store or a detailed explanation about how savings accounts work, there are several daily opportunities to help kids understand what managing money is all about.