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Parent Guide: Teaching Your Child About Money

Kentucky Jump\$tart Coalition

Kindergarten is the perfect time to start building financial literacy skills, as kids learn about coins, wants and needs, and how to spend money. However, teaching money management to kids can be tricky. Today's kids don't have as much exposure to cash as before, which can make money a more intangible and difficult concept.

At first, says Laura Levine, executive director of the Jump\$tart Coalition for Financial Literacy, your child should understand what money is and that it has value. Then, as he starts exploring what it means to spend and save, use these 11 tips to reinforce financial literacy.

Money Basics

- **Introduce Coins and Bills.** Introduce coins and bills one at a time, starting with the penny. When you have spare change, let your child sort and count the coins. Or, let her organize your wallet, putting the bills in order from least to greatest.
- **Let Him Pay.** As your child gets to know money amounts, let him pay for small purchases. When you're paying with cash at the grocery store, ice cream parlor, or coffee shop, let him pay the cashier and accept the change.
- **Visit the Bank.** Levine recommends taking your child to the bank every so often. While you're making a withdrawal or deposit, they're learning who works at a bank and where money is "stored."

Making Money

- **Start an Allowance.** Kindergarten is a good year for kids to start getting an allowance. Set your kids' allowance depending on your own finances. Rule of thumb is \$1 per year of age, so a five-year-old would get \$5. You don't have to give them allowance every week, however. They could receive it every two weeks, or on the first and fifteenth of the month.
- **Solicit Their Services.** Capitalize on your child's interests to "employ" them. Can you pay them to take the dog out in the backyard? Or, does your child like to help out and want to fold laundry for a fee? Be sure to separate "fee for service" activities from general family expectations (making your bed or cleaning up) that everyone is expected to do.

- **Start a Microbusiness.** Whether it's a lemonade stand, a hot apple cider stop (with adult supervision), or a snack table at the neighborhood block party, having the experience of selling will teach your child to value the money they receive. Once they have cash in their pocket, it's time to start managing it.

Money Management: Spend, Save, Share

- **Comparison Shopping 101.** When Levine's five-year-old son was shopping with his own money, he quickly noticed the small price difference between a Hot Wheels and Matchbox car. As your child learns how to shop, the supermarket or toy store aisle is the ideal time to talk about prices. Choose two items that your child wants and compare the prices. Which is more? Which one would he buy and why? Is it worth the extra cost to buy the package with the character on the front?
- **Set a Saving Goal.** Your child's first saving goal should be for a fun game or toy. Post a picture of her goal on a piece of paper and draw stepping stones with money amounts that add up to her goal (stones of 5 cents or \$1 depending on the ultimate goal). Then, as she saves those money amounts, color in the stepping stones. When she's filled in all the stones, go shopping!
- **Start the Habit of Sharing.** An important part of having money is sharing. For your family, it may be dropping a few coins in the collection plate, or letting your child donate to a favorite charity. To add to the experience, attend a charity event so they can see where their money went. If your child donated to a local pet shelter, attend an adopt-a-pet day.

Financial Responsibility

- **Teach Choices.** Money is all about making choices, says Julie Felshaw, financial and economic education specialist with the Utah State Office of Education. Start the conversation about choices when the issue has nothing to do with money. For example, what do we do when we have five cookies and six kids? Then, introduce the same idea later when money is involved—we have \$10 and want to buy three things that add up to \$11, what do we do?
- **Be Honest about Your Finances.** When you have to make a difficult financial decision, be honest with your child. You don't have to tell him everything, but do discuss how it will affect him. While you're having that discussion, says Levine, be sure to stress that while money is valuable, it's not love, and it's not safety. That's what you are there for.

As your child develops an awareness of money, it will be exciting to save, spend, and share his earnings, no matter what amount he's working with!

Money Learning Activities to Do with Your Kids

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Pick and choose from the following ideas, depending on your child's age. 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.