



WHAT TO TELL YOUR KIDS ABOUT MONEY

By Jacob Ansel

KIDS LEARN WHAT THEY LIVE. THEY will handle their money the way they see their parents handle money. Many kids see money go in and out of their parents' wallet, but don't really know how it got there. You should be open with your children about money as soon as they're able to understand. However, what your child needs to know at the age of four or five is very different than what they need to know at the age of ten, 15, or older. That's why it's important to talk to them about money throughout their young lives. For many parents though talking about money is a really hard conversation. But schools don't teach kids about money and how to manage it, so the responsibility lies with you. Here are a few good tips to get started.

If your children are old enough to ask for a toy, they're old enough to learn financial lessons. Look for opportunities to talk about money, read books aloud, and play games that center around spending money wisely. Make sure they have a piggy bank and savings accounts. When you go to the bank, take your kids and show them how transactions work. Get the manager to explain how the bank operates, how money generates interest, and how an ATM works. Ask for a tour. Kids love the vault.

Be honest discussing your financial experiences, good or bad. Talk to them about how your paycheck is budgeted to pay for housing, food, and clothing, and how some of it is saved for college and retirement.

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Over a quarter of surveyed parents say it's not important to include kids in discussions about family finances; 41% avoid talking to their kids about money. But the sooner parents teach their kids about money, the more effective they'll be in raising financially successful adults.

A perfect place to talk about money is at the grocery store. Teach them about needs vs. wants. Explain the benefits of comparison shopping, coupons, and store brands. Give your kids chores with monetary values attached to them. Discuss ways to budget and divide allowances. Encourage them to set financial goals.

Explain the different ways that bills can be paid: over the phone, by check, electronic check, or online check draft. Discuss how each method of bill pay takes money out of your account. Be sure to cover late penalties, emphasizing the importance of paying bills on time. Make sure they understand that credit cards are a loan and need to be repaid. Tell them how each month a credit card statement comes in the mail with a bill. Go over the features of different types of cards, such as ATM, debit, and credit cards.

While online, make sure your kids know how valuable your personal information and privacy is to you, to them, and to online predators. Discuss the risks and benefits of sharing certain information. As a family, make a list of rules for keeping personal information safe online.

Teach your kids to break down their finances into categories or pools for which they contribute for different purposes. Establish a saving system with some short-term and long-term savings.

Kids are often pressured by peers to keep up with the latest and greatest. Use this opportunity to be a strong role model and demonstrate how to make smart spending decisions. Share past spending mistakes and what you learned from them. Introduce the concept of long-range savings and investing.

High school is a great time for your child to put into practice what you've taught her over the years. Go back to the bank and open a checking and savings account for her. Add a pre-paid or bank-secured credit card to help establish a credit history and good credit practices while she's under your roof.

Our kids also have to be made aware that they'll sometimes have to go without things they want. They need to understand that it's your moral, legal, social, and ethical responsibility to look after their needs, but that you're not obliged to pay for all their wants.

Moving money from an abstract concept to something tangible that's earned and saved before it's spent is an important step for kids to understand. Children are more intelligent than we give them credit for. They're also more understanding and resilient. If there are tough financial situations to explain, what children appreciate most is honesty, consistency, and facts. The important thing is to involve them in money discussions, and give them responsibility and an opportunity to manage money from an early age so they understand its value. □