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### What Every Child (and Parent) Should Know About Saving

"Kids need to understand that money must be spent carefully."

If you thought the "birds and the bees" talk with your children was uncomfortable, get ready to breach the next topic that requires frank, honest communication: We're talking the "goods and the green."

While the extents will vary, most families will have to [scale back](#) and modify their spending habits, which could affect children.

"It's important that kids understand that your family has [financial](#) limits," says Brette Sember, author of the forthcoming *The Everything Kids' Money Book: Earn it, save it, and watch it grow!* "If your financial situation has changed, children who are elementary age can be told that 'Dad lost his job or Mom is making less money and therefore we need to make some changes.'

"Kids need to understand that money must be earned and spent carefully," says Sember. "[Parents] should never spend more than they earn and should always save a portion," to provide examples to children.

Parents should present a plan to not necessarily resolve the economic turmoil the family faces, but ideas on how to manage it effectively. Times like this are an opportunity to present valuable [money lessons](#) to children, according to Sember.

#### EXPLAIN THE TERMS

Define [credit](#) and the credit crisis, says Liz Pulliam Weston, author of *Easy Money: How to Simplify Your Finances and Get What You Want out of Life*. "Maybe not for a five or six year old, but older children should be informed of [some of the technicalities of the crisis]." Savings should also be addressed, along with budgeting and the concept of living beyond one's means. And these lessons should be presented and also pursued! (Talking is not enough.)

#### USE BILLS TO TEACH

In addition, parents can create activities that bring these issues to their children's attention in a non-threatening manner. "Some families look at the [electric bill](#) together and work out a deal like, 'if we, as a family, can reduce this [bill], the kids can keep half of the savings,'" suggests Weston.

For older children, middle school-aged and older, tough economic times provide a chance to offer "real life" information, tips they will need in years to come.

"By the time they get to high school, kids should be aware of hardcore expenses, they should understand that the rent or other bills must be paid," says Weston. "A senior in high school should probably be taking care of a few of their hardcore expenses like their car insurance payments, not just money for movies and video games." Older children should be aware of just how much money goes in to electric, insurance and grocery bills, she adds. "And now is a great time to reveal that."

#### HAVE A PLAN

But this advice might not be ideal for a family facing foreclosure. If the family is in serious turmoil, filing for bankruptcy or dealing with a layoff in the family, experts agree, the issue at hand should be discussed, along with a plan.

"If you are in a very dire situation and are about to lose your home, your child already knows you're scared," says Sember. "You should reassure your child and lay out what your plan is, whether it is to live with Grandma or rent an apartment, so that he or she knows what will happen."

#### INFORM, DO NOT FRIGHTEN

"Be aware of your child's temperament," says Weston. "If your child is a worrier, or very lackadaisical, the message should be tailored differently." And most importantly, she adds, don't scare them by pushing your own worries on them.

"Parents have a responsibility to not scare the kids, but rather, to assess the financial situation and budget firmly by eliminating [vacations](#), maybe thinking twice about upgrading the car, but not [by] railing about how the great depression is coming back."

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