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TEACHING KIDS ABOUT MONEY

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Disney certainly has its hand on the pulse of the little generation. One example is *The Great Piggy Bank Adventure* – a new exhibit at Epcot (see the web version at



thegreatpiggybankadventure.com). It teaches kids to save and spend money wisely, gives lessons on inflation, diversification and setting and reaching personal goals. Sounds tough? Not so much if they start young. Just imagine if you learned early on to manage money better, wouldn't you be a happier person? Teaching kids about money is easier than ever with a great array of resources in a kid-friendly form. Here are a few techniques you can use to teach your little one about saving, spending, charity and fun.

INTRODUCE MONEY

Kids may have no concept of money other than seeing you offer that funny card for your purchases. So, first you have to explain what money is. Your preschooler would be thrilled to demonstrate his counting skills to you, so use the skill while introducing the concept of money. Dr. Caron Goode, a prolific published author, as well as communications consultant for schools and organizations, recommends the following approach: "Gather pennies, nickels, dimes, quarters, and one, five, ten, and twenty dollar bills. Show your child how money adds up by putting coins and bills in groups. Show her that five pennies equal a nickel, five nickels equal a quarter, four quarters equal a dollar, and so on. Also, play lesser and more than games. Ask your child which is more, a one dollar bill or a five dollar bill? Then ask which is worth more a five dollar bill or a ten dollar bill? Eventually, your child will begin to comprehend the concept of money in terms of numbers." This is helpful in not only practicing their understanding and knowledge of money but also the early math skills.

Once your tot understands the concept of money, do a practical lesson, suggests Dr. Goode. Take a trip to the store together and show the cost of an item; explain that money is used to pay for the item and have him read the number of dollars and cents. Over time, he will be able to equate numbers with money and money with purchases.

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MAKE IT RELEVANT

Brette Sember, author of "The Everything Kids Money Book" says money advice should be age-relevant. "Kids need to learn age appropriate information about money. I find most people easily teach young kids about which coin is which but fail to talk about how to use, save, and think about money. For preschoolers, I suggest playing games with money. *Sell* your child a toy for a penny. *Pay* him to put the can of beans in the cupboard after you go grocery shopping. Talk about what you are doing with money – going to work to earn money, going to the store to spend it. Get your child a piggy bank and help him save money in it. Kids this young don't understand saving for the future, but they can understand if you tell them they need to collect 20 quarters to be able to buy something they want." In fact, there are many games that teach about money and kids love a good game!

- Conversations to Go – Money for ages 5 and up on moonjar.com. The game uses a Chinese take-out container with "fortunes" to get kids talking and thinking, in this case about money. E.G. Why does one pair of shoes cost most than another?
- Good old Monopoly – try a special edition. Start by setting properties by color on the board, then add houses, then move on to money and the actual game.
- The Allowance Game. Players race around the board earning cash by doing chores and spending in on what they like – everything pretend of course. They also learn how to count and offer change. lakeshorelearning.com. ages 5-11.

GIVE THE FIRST ALLOWANCE

Once your child has a little bit of practice with pretend money or money concepts, it's time to practice on real (small, of course) money. This is where the first allowance will come in. This will have lots of repercussions – learning how to make decisions about money, learning how to earn it with [age appropriate] chores. Dr. Goode says "it's important children learn that money is earned, so age appropriate chores should be part of receiving a weekly allowance. So should consequences for not completing those chores. No chores, no allowance. This will help motivate your child. It will also introduce her to a good work ethic and give her an opportunity to feel good about herself. Everyone is proud of a job well done."

Ken Robinson, author of "Don't Make a Budget: Why it's So Hard to Save Money and What to Do About It", who has written over 100 articles on personal finance suggests to PREPARE KIDS FOR FUTURE PAYCHECK DEDUCTIONS by deducting from their allowances. "Successful money management is about good habits. You can help kids develop good habits from their earliest allowance.", says Robinson. He applied these principles to his daughter's financial education. "From her very first allowance, she's always put 10 cents of every dollar into a piggy bank she calls her "poor-box", 10 cents into a bank she calls "save for a long time", and 10 cents into a bank called "spend soon.", says Ken. Developing these habits teaches her to save money, so it can be saved for big expenses that may come up, the future (retirement) and giving to charity.

Shannon White, a single mom, pastor and author of "How Was School Today? Fine" applies a simple principle of giving, spending and saving. "Since the 1st grade, I have given my daughter an allowance in order to help her with financial literacy. We began with \$4: \$2 to spend, \$1 to save and \$1 to give. We have graduated by a few more dollars several years later, but the concept has remained the same", says White. She believes that when a child has his/her own *stash*, there is no conflict when you go to the store together and she wants to buy something for herself. This, of course, applies to elementary school children more so than preschoolers.

TEACH THEM HOW TO SAVE

Once your child has an allowance, he will need to know how to use it in ways other than spending. "Explain to your child there are two kinds of saving.", says Dr. Goode. "There is saving for something you want now and there is saving for what you will want in the future. Tell her that both types are important and need to be planned for. You should decide how much of her allowance she puts into short and long term savings. More than likely, she will easily grasp the concept of saving for a toy she wants. Saving for the future might be a more difficult point to drive home. This might be accomplished with storytelling or make believe. Ask her questions about what she wants when she grows up. Ask her if she wants to go to college, drive a car, or buy a house. Then explain that all these things are big expenses and if she starts saving for them now, she will be able to have them when she wants them later. Don't worry if she does not seem to comprehend this at first. Just get her in the practice of saving. Eventually, with maturity, she will

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understand and by that time she will be well on her way to saving for her future.”

The best way to teach your child about saving is to practice it yourself, so when you are setting money aside for a gift or putting cash in the *rainy day* envelope, he will want to be just like you.

BE CHARITABLE

Dr. Tom Potisk (www.wholehealthhealing.com), a father of three, also uses a holistic approach in raising his three kids. He suggests to not only start them young at tithing a percentage of their money to the church but also tell them they must bank at least half of gifted money.

Sharing is a very important skill, not just when money is concerned. Take your child to a soup kitchen or collect pennies in a jar throughout the week and donate to a charity at the end of the week. Have your child help you decide where money should go. Does he like to help animals, other kids, or people without a home? You can always look for a book that demonstrates how to share money. After all, as the song goes, Sharing is caring.

GO BEYOND THE BASICS

Dr. Prakash Dheeriya, Ph. D, father of two, author of “Finance for Kidz” series, and professor of finance at California State University, says teaching about savings is important but he suggests not stopping there. “Any financial curriculum for children should include a variety of topics. Concepts such as the relationship between risk and return, identity theft, how to spend wisely, and simple money management tools should be as important as teaching them to save money.”, says Dheeriya. His “Finance for Kidz” books is targeted to elementary school children but even your 5-year old will get these concepts. For example, in Volume 3 of the series (“Scarcity and Value”), Zylar and Joey are walking the neighbor’s dog on a hot day, when they get thirsty and come across a lemonade stand. They are quick to understand the scarcity since the lemonade-stand girl is the only person in the area who has what they need. They understand the value since they are thirsty and have no choice but to pay the girl for the drink.

It’s not enough to teach, in fact at an early age they may not really be absorbing your lesson as much as you’d like. The key is to practice what you preach. If you are an example of financial wisdom and then you ask your child to follow suit, he is more likely to do it.



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