

Family Math

How to Talk to Kids About Money

By Claire Trageser

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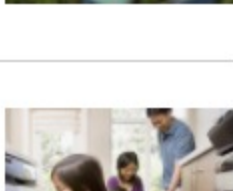


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It's never too early to teach kids about money.

Saving, spending, budgeting — We all need to know about money and if we start teaching kids about it early on, we can help them sharpen key math and life skills that will last them into adulthood.

When my 3-year-old son knocked my headphones on the floor, shattering them into pieces, he looked at me with a smile and said, “Don’t worry, we can just get new ones!”

“Oops,” I thought, “time to teach him about money.”

Starting to teach kids about money from an early age helps them develop important math skills, such as counting and sorting. In the long run, it can also help them generate wealth for their families and future generations. Even at a young preschool age, kids can play with a toy cash register, pretend to run a store and start understanding money.

“Very early on, parents can play with kids and give them a finite number of marbles, and say, ‘You get to pick three things,’ so they learn that quantitative limitation,” says Dr. Deborah Pontillo, a child psychologist at San Diego Kids First. “From there, you can move to teaching kids budgeting, allocating and that money is a limited resource.”

Then, in elementary school, parents and caregivers can begin to talk more about the concept of earning money, she says.

“Working for mom and dad and maybe wash the car to get money, and then they can think about what they can do with that money, which teaches the concept of earning versus spending,” she says. “When they’re old enough to understand the dollar value, that a piece of gum is this much, while a video game is that much, that can start in early elementary school.”

And no matter how much each family makes, Pontillo says it’s fine to talk about budgeting, spending and how much the family earns. “You want to explain to them [that parents] work and bring in a certain amount,” she says.

“Money is great, [and] there are other things we value more, like kindness, but they still need to understand how money works.”

Brette Sember, author

At a time when many families have difficulties making ends meet, Pontillo says that it’s important to not pass on money worries to little ones to avoid undue stress. “You never want to alarm kids,” she says. “Make sure they know there’s no reason to be alarmed or frightened or concerned.” She adds that parents should talk about how money comes from one’s work and encourage kids to save, so things don’t feel completely out of reach. If they talk about items they want or that their friends have, Pontillo recommends parents gently explain not everyone has access to the same amount of money. “You can say, ‘That video game costs more than we have, but here’s how you can go towards saving toward that.’” This conveys that nothing is out of reach and there are ways to work on earning money and saving, which helps develop a sense of financial independence, Pontillo says.

“You just have to keep in mind how old the kid is and what they can understand; you can’t talk to a 3-year-old about stocks and bonds,” says Brette Sember, author of “The Everything Kids’ Money Book.”

The idea is to start out gradually. A preschooler can understand that parents have to spend money at the store to get things, since they see them do it at the store, Sember says.

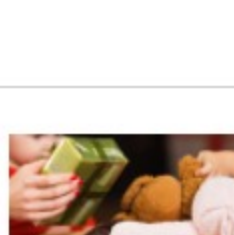
If a child is just learning to count, it’s important to find as many opportunities to count together, be patient as they memorize the names and order of numbers and cheer them on when they get it right.

“Maybe you can use cereal to explain,” Pontillo said, since grouping the cereal in different ways can help kids see how much goes into each expense. “Show them, ‘We brought in this many [and] this goes for rent, food, electricity, and then what’s left behind (if there is any), we can all choose together how to spend it.’”

Once kids are in elementary school, caregivers can give them a small allowance or other opportunities (like chores) to earn small amounts of money to introduce the concept of saving and spending. That way, kids learn how much things cost, and how to save the right amount to buy what they need or want, Sember says.

“It’s also good to introduce charitable ideas from a young age, so we don’t just buy things for ourselves, we want to help other people,” she says.

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Once kids are a little older, around 10 or 12 years old, Sember recommends setting up a bank account for them.

“Then, when they get birthday money from their grandparents, (or money from chores) that money can go into the bank account, and then you can talk about interest, that the bank uses your money so they’ll pay you a little money,” she says.

When kids are in middle school and high school, parents can teach them about bigger concepts like creating a weekly and monthly budget, Sember says.

“There’s no class in school about budgeting, but it’s one of the things you need to do for adulthood, something they need before they go to college,” she says.

Sember says she understands the concern that talking about money will make kids materialistic or too worried or fixated on money, but everyone needs to understand how to use money, she says. “Money is great, [and] there are other things we value more, like kindness, but they still need to understand how money works.”

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