

## **YES YOU CAN: Raise Financial Savvy Kids**

“Mom, I want that!” “Dad, can I get this?” “Why can’t I just get a new one?” Have you ever heard your child utter those words? Or maybe you have heard someone else’s child complaining as you rolled by with your little one in the stroller thinking, “That isn’t going to happen to me.” Well, you are right, it doesn’t have to happen to you if you work to help your children understand how to be financially savvy at a young age.

Children typically learn from observation and imitation than through any other method. So, as you do your best to make sound financial decisions, your children will see, and often emulate, your commitment to fiscal responsibility. Outside of being an example for your children, however, you can begin talking to them about fiscal responsibility at any time. But, once you decide it is time to start teaching, what should you emphasize?

**Lesson #1: Money has value.** One of the first lessons to teach children is that money has value. Whether you have millions of them, or only a few, one dollar is one dollar. It has the same purchasing potential regardless of who is holding it. As children learn that money has value, you can further that discussion by explaining how they can acquire things they need and want buy using money.

**Lesson #2: Understand the difference between "wants" and "needs."** While this may be a different discussion depending on your station in life, it is important for your child to understand that not everything he or she "wants" to have is needed. For example, you can make the case that food is a "need," but candy is more of a "want" even though it is considered "food." As children get older, the lines get more difficult to teach, so be sure to make this a focal point when your children are young. Acquiring "wants" is nice here and there, but only after needs are met, and there is money available to do so.

**Lesson #3: Patience is an important virtue when it comes to money matters.** Exercising patience is another virtue that can pay dividends when teaching your children about how to be responsible with money. While it is enticing (and easy) to purchase a "want" right now, it is not always the best move. Buying your child the toy they want when they want it provides them instant gratification. Try teaching them to save for the things they want. This reinforces the value of money and is a great way to start managing their money and expectations.

**Lesson #4: Providing an allowance.** Using an allowance is a method many parents use to teach their children about money; however, this can be a helpful or harmful endeavor depending how you go about it. If money has value, and you intend to give your child an allowance, it would be consistent with your earlier message to require some effort in order for your child to earn the allowance. Moreover, if the allowance is earned by your child for the accomplishment of some work or task, be sure you do not interfere with that transaction by adding variables to it. For example, if you want to teach the concept that "work equals money," then teach that lesson. If you want to teach lessons about behavior, grades or some other issue, and you add that to the "work equals money lesson," you may create some confusion with your child. While it can get complicated, using the allowance system can be a big help in helping your child understand not only the value of money, but also the concept of working to earn money.

**Lesson #5: Allow them to make final decisions.** An important lesson in teaching your children how to be fiscally responsible is to allow them to make final decisions with their money. One of the more difficult parts of teaching is when it is time to take a step back and watch your children implement what you have taught them. So, when your child asks for something, you can simply respond with the statement, "It's your money." The child then has to make the final decision with how he or she is going to spend it.