

children & money

getting off to a great start



Helping your children develop successful money management habits and encouraging them to successfully handle financial responsibility is a gift that can last a lifetime.

how do your children learn about money?

Research shows that children's money behaviour is usually established by age 10. However, learning good money habits doesn't happen by osmosis and it's not genetic. Kids don't magically learn to be financially responsible. Some will learn from their friends and what they see on TV much more than from school. But the most powerful lessons come from the examples set by their parents and other adults around them.

No one wants their children to be financially irresponsible. Imagine seeing your children in adulthood:

- ~ deeply in debt with poor money skills and being dependent on you
- ~ equating money to self-worth and becoming addicted to possessions
- ~ being unable to set financial goals or unable to save
- ~ experiencing family conflict due to financial problems

Guidance in money management helps to teach children about the positive and negative meanings of money and what thoughts and feelings go into making money decisions.

Rather than letting your child grow up thinking that money comes easily, there are real benefits in teaching kids to understand and use money wisely.

Teach them young and they will carry forward that knowledge and live a better financial life. As in all parenting decisions, a consistent approach to encouraging good money habits is essential.

As a family:

- ~ be open to discussion about money issues
- ~ include children in discussions about family values and attitudes to money
- ~ decide on the type of guidance and advice you will give, bearing in mind that every child's personality and learning style differs
- ~ set limits and consequences for spending
- ~ allow children to make their own decisions and learn from their mistakes
- ~ decide how your children will receive money: pocket money; allowances; one-off gifts (birthdays etc.)
- ~ consider the developmental stage (as opposed to chronological age) of your child when deciding on how much pocket money to provide and the criteria for increasing the amount
- ~ be clear about household chores you expect children to do that will incur no payment
- ~ teach by example
- ~ and above all, be consistent. If you spend your salary, you wouldn't expect your boss to pay you more. So why do this with kids that spend all their pocket money – and come back for more!

teaching kids a sense of thrift in today's world is not easy

From their earliest days, our children see money pouring out of machines and their parents slapping a piece of plastic on the counter to obtain whatever they want. The thought as to where it all comes from is unlikely to even cross their minds unless they are trained at an early age.

Some children like to hang onto money when it comes into their possession – others cannot spend it fast enough. Whilst teenagers and young people can enjoy their money, if they are not taught to manage it effectively when they're young they are highly likely to have problems when they come to handling adult responsibilities.

so how do you teach them?

The answer is to start young and be firm. Children who get everything they ask for will never learn the value of money.



Children learn from observation and example: the most effective teaching is adult role modelling and practising good money habits at home. If you need some help with your own money habits, get advice.



activities that you can share with your children to teach them good money habits

age	money thoughts	suggested activities	what they learn
4–6	<ul style="list-style-type: none"> ~ see all money as having the same value ~ may think coins have more value than notes 	<ul style="list-style-type: none"> ~ separate coins and notes into colours and discuss their value ~ let them pay for items sometimes when you go shopping – or let them watch you pay ~ read them stories that show people shopping or paying for things 	<ul style="list-style-type: none"> ~ the value of money ~ how you treat money
7–9	<ul style="list-style-type: none"> ~ know what money is, but may not correctly name the notes/coins ~ can save for something in the short term. Goal must be very specific and tangible 	<ul style="list-style-type: none"> ~ show your children receipts when you go shopping ~ when you purchase something count out the notes/coins with them ~ give them pocket money in exchange for chores being done. Give it to them in small denominations ~ open up a children's bank account. Some schools even have a banking program ~ explain their passport/savings account statements ~ put sales catalogues to good use – let your child pick out an item that they want to save for. Cut the picture out as a reminder of their goal 	<ul style="list-style-type: none"> ~ money has value ~ you need to work for money – it's not freely available ~ money can grow if you regularly save ~ appreciation and achievement if they reach their goal



age	money thoughts	suggested activities	what they learn
10–12	<ul style="list-style-type: none"> ~ show more interest in having money ~ starting to want more things – keeping up with the other kids ~ understand that money is limited ~ need guidance to understand whether something is good value or not 	<ul style="list-style-type: none"> ~ help them to make extra money by giving them special jobs or projects outside normal chores ~ if you lend them money, work out a repayment plan ~ teach them how to compare prices before buying – online stores and search engines can turn this into a game ~ play games like monopoly with them 	<ul style="list-style-type: none"> ~ value of work ~ skills to weigh up their options ~ realities of money – especially where interest is concerned
13–15	<ul style="list-style-type: none"> ~ independence – want to make money decisions by themselves ~ sometimes borrow from friends to meet immediate needs ~ may request more money, or want to use your credit card if others are doing so ~ strongly influenced by peers in their decision making ~ still need help to establish limits 	<ul style="list-style-type: none"> ~ give them their weekly allowance and allow them to allocate funds (be tough – if they spend all their money don't give them more or cover gaps for them) ~ reward good behaviour – encourage and praise savings ~ match the amount they save ~ help them to write a letter of return or complaint ~ only use capped mobile phone plans, or recharge packs 	<ul style="list-style-type: none"> ~ decision making skills ~ budgeting skills ~ greater understanding of how to distinguish between needs and wants
16–18	<ul style="list-style-type: none"> ~ understand that time and effort is exchanged for money ~ part time jobs allow sense of financial independence from family ~ still feel peer pressure ~ may want to start using credit, or investigate a loan (for first car) 	<ul style="list-style-type: none"> ~ encourage a part time job ~ help them to fill in their own income tax return ~ continue to match savings, encourage online banking ~ set up clear rules around who pays for what, between their earnings and what their upkeep is ~ involve them in family financial decisions, e.g. loan arrangements, mortgage refinancing ~ let them do the family grocery shopping 	<ul style="list-style-type: none"> ~ work ethics, your effort can influence the amount of money you earn ~ responsibility for their actions and how it affects their money situation ~ mutual trust

good money habits

saving

- ~ is a means of children acquiring what they want or need
- ~ helps to establish a regular pattern of putting money aside either for planned purchases or for emergencies
- ~ teaches the concept of delayed gratification
- ~ helps children look at the bigger financial picture of working towards a goal rather than frittering away their regular income

borrowing

- ~ teaches children that whatever is borrowed must be paid back
- ~ provides opportunities for children to learn about the costs of borrowing (interest, lay-by, the concept of credit and contracts)
- ~ provides the opportunity for children to make value judgements about whether to borrow or save for special purchases

earning

- ~ teaches children reward for effort
- ~ gives a child a measure of financial independence
- ~ has the potential to build particular skills
- ~ provides recognition, acknowledgement and a sense of freedom
- ~ demonstrates expectations and work standards

spending

- ~ teaches children how to keep account of earnings vs spending
- ~ provides opportunities to select and compare (quality, quantity, price)
- ~ helps clarify difference between wants and needs
- ~ encourages children to take responsibility for their own decisions

sharing

- ~ encourages notions of giving and helping others
- ~ is an experience in doing something for no financial reward or public recognition
- ~ illustrates that the contribution of time, skills and energy can be as important as any financial gift





7 tips to help your kids learn about managing their money

1. Encourage them to think about what they want, what they need, and to identify their savings goals (eg. a new bike)
2. Help them decide what they really want, and to focus on their most important goals
3. Remind them to regularly set aside a specific amount of their pocket money towards the items they are saving for
4. Help them to control impulse buying by reminding them of their savings goals when they get tempted to buy things that aren't on the list
5. Encourage them to put loose change into a savings jar at the end of each day and to use this little pot of ready cash to cover small personal expenses
6. Tell them about lay-by and encourage them to use this as an alternative to credit
7. Use pre-paid cards for your children's mobile phones and make your kids top up the card themselves if they spend too fast

To read more about how you can teach your kids effective money habits, visit these useful websites:

www.asic.gov.au/fido

www.kidslife.com.au

www.raisingchildren.net.au

www.HomeHints.com.au/money+finance

www.essentialbaby.com.au/parenting/kids/teaching-kids-about-money

www.kidsmoney.com.au

Sources: www.familyeducation.com / National PTA Magazine / 'Teaching Children Money Habits for Life,' (University of Minnesota) S. Danes & T. Dunrud / www.asic.gov.au/fido



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