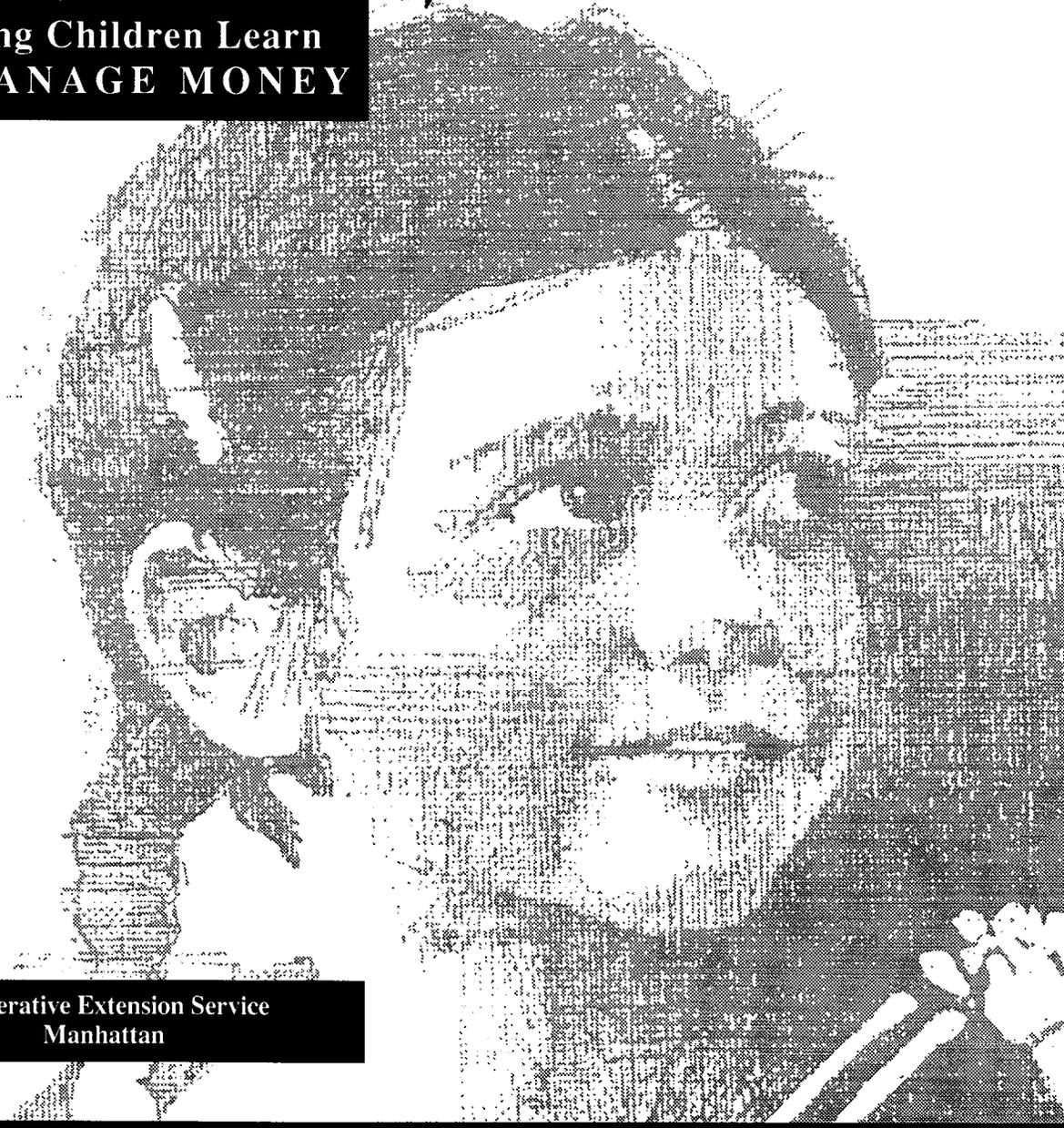


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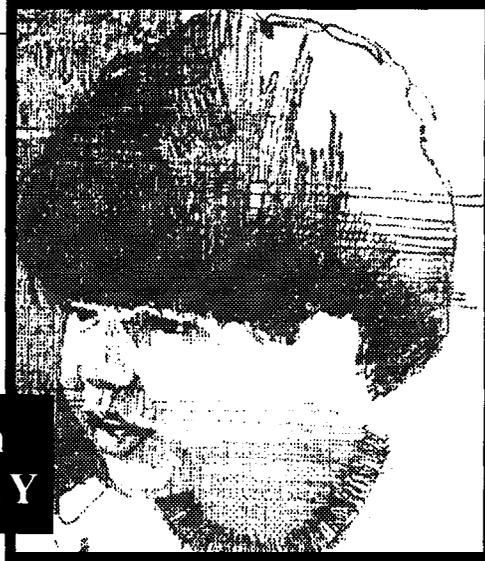
Helping Children Learn
TO MANAGE MONEY

Cooperative Extension Service
Manhattan



Money Wise

Helping Children Learn TO MANAGE MONEY



This publication is for parents and other adult caregivers who want to help children develop the ability to manage money.

This approach emphasizes the role of an allowance as a share of the family income and as a way to help children learn the cost of various items in order to make decisions about spending, saving and sharing.

Most parents hope their children will grow up to handle money wisely—neither spending too freely nor hoarding too stringently. There is a wide middle ground between being a tightwad and being a wild spender. Money concepts are difficult for young people, but adults can provide learning experiences to help them develop a realistic understanding.

Parents or other adult caregivers often do not feel comfortable teaching children to manage money because they feel they are not good managers themselves. This publication shows that you don't have to be an expert to provide appropriate experiences.

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How Children Learn about Money

Children's readiness to learn about money management depends on many factors—interest, ability, needs and understanding—rather than on age. They learn by experience and by being actively involved, as well as through reading or observation. Children usually learn better from praise and encouragement than from criticism and scolding. Try to build on what they are doing right, instead of looking for what they are doing wrong. Consider these points as you provide opportunities to help children manage money.

Indirect teaching

Children observe what their parents and other adults do with their money and how they feel about it. What they see and hear influences the values and attitudes they develop.

Direct teaching

Parents and other adults can plan activities involving money use or explain money situations so children can understand them. These activities may be as simple as “playing store” or more complex, like comparison shopping for products the child might like to buy.

Participation

Most children benefit from being included in regular family discussions so they begin to learn how family income is used and about the family's financial goals. Family money discussions should have ground rules, including those concerning confidentiality and how children are expected to participate. Communication about these procedures is important.

Opportunities for making decisions

Learning by doing is important in developing money management skills. Children learn when they have the opportunity to make choices about money use that are suited to their interest and maturity. Making mistakes is part of learning.

Explanations

Explanations about intangible financial concepts are critical. Adults help children learn when they view the world as children see it and look at situations in which adult assumptions about

money can be confusing or misleading. Take time to talk with your children about family finances.

Try to understand their points of view and help them see the bigger picture of how decisions relate to one another. For example, consider a 10-year-old girl who wants a new bicycle. The parents say they cannot afford the bike, but later begin to talk about purchasing a new car. The child may not realize that the car is needed to take her to a variety of activities and to assure her parents a way of getting to work. So, although her parents are truthful when they say they can't afford a new bike if buying the car means an additional \$225 per month on an already tight budget, the child doesn't understand because the parents have never explained the cost and benefits of the car.

The money management process

The management process involves planning the use of money or other resources to meet goals, carrying out the plan and evaluating the results.

Adults may have goals and behaviors related to the use of money that are not related to the rational money management process. Some individuals use money for domination and power, for revenge, to allay feelings of guilt, or to “buy some peace and quiet.” Most children can see these attitudes and actions are in conflict with what adults are saying.

Children's attitudes and values about money are influenced by how adults spend, borrow, save, share and invest. So, adults need to examine their own feelings, behaviors and values regarding money before they begin to plan money management experiences for children. For example, if you consistently spend money before it is earned, it will be difficult to teach your children about limited resources and the value of saving. Conversely, if you save every cent except what is needed for bare essentials, your children may never learn that money is primarily a useful tool, not an object to be sought for itself. Children also are affected by how their friends and other families spend money. Thoughtful discussion can promote understanding of differences in money handling practices.

Sources of Income for Children

Children receive money from several sources. Handouts or doles, gifts, rewards and allowances are the most common sources for younger children. Older children may also receive money from earnings (for special tasks or regular jobs) or from small businesses.

Handouts or doles

Some parents prefer handing out money in response to requests from their children. Doling out money on demand—or stopping to make a decision about giving the money or not—has several disadvantages from the standpoint of helping children learn money management. This method does not help a child learn to plan. How much money, when it will be available, and for what purposes, are not definite. Children often learn to beg and manipulate their parents to get as much money as possible. It is also difficult for parents to keep track of how much is being spent.

Gifts

Gifts of money are often given for special occasions, such as birthdays or graduations. Grandparents and other relatives frequently give money as gifts, either as a present or in a manner similar to a dole or handout.

Set guidelines to follow when children receive money as a gift. To learn about money management, children should make their own decisions about using the gift money unless it is a very large sum. Discussing choices is helpful.

Rewards

Children sometimes receive money as a reward for good behavior, good grades or other achievements. When used this way, money may actually serve as a bribe. Children may get the message that good behavior and achievement have a money price.

It's better to keep money out of situations that do not involve its use. Look for other methods of encouragement and discipline.

Allowances

An allowance is a specific amount of money given to a child on a regular basis. The allowance helps children learn how much things cost and how to set goals and priorities. Allowance money is generally used to cover spending, saving and sharing and gives children some money to spend however they wish. Children need practice making their own decisions, and they need fun and “goodies” of their own choosing.

Earnings

Some children earn money for chores or jobs they do, either at home or away from home. Earning money lets children add to their allowances while developing good attitudes toward work. Too much outside work can be a drain on time and energy for other activities.

Guidelines for working should be discussed and agreed upon in advance. Generally, some basic chores are done by the child as a family member, while extra jobs may be paid for separately.

For extra money, some parents offer children the chance to do other jobs around the house, in addition to their regular chores. Think of jobs that you might hire outside help for—weeding the garden, cleaning the basement, cleaning leaves from the roof, mowing the lawn, babysitting and such—and hire your children instead.

The job should be something the child can do. Avoid giving children jobs that are too hard for them and agree on the payment amount before the work begins. If your child is capable and willing, pay what you would for outside help and set similar standards.

The Allowance as a Teaching Tool

An allowance is a specific amount of money given to a child on a regular basis. It's a good way to help children learn the basics of money management. An allowance may be started as soon as children grasp an understanding of the function of money. Although 4 or 5 years old may seem young, by that age children are usually ready to begin learning how to manage money.

The purpose of an allowance is to introduce young children to the idea of a fixed income and to begin shifting some of the responsibility for setting goals, planning, making decisions and carrying them out, from you to your child. A set allowance requires the child to make choices about what is wanted most out of that income. If your child squanders the allowance money at first, remember, this is part of learning money management.

Allowance as a share of family income

Some parents think of an allowance as a wage for the chores children do around the house or yard. But if children are paid for every bit of work they do, they don't learn much about the responsibility of being a family member. By giving them regular chores to do without payment, you

teach children to accept responsibility and give them the good feeling of being a productive part of the family.

In the same way, children have a right to some share of the family income just by being members of the family. You give them part of that share by paying for their basic food, clothing and housing, and maybe other things like piano lessons or college tuition. If you give them another part of their share in the form of allowance—an allowance they don't have to earn by their chores—you can teach them good money sense at the same time.

By keeping chores and allowance separate, you teach children that people have responsibilities to fulfill without expecting to be paid, and that helping around the house is part of belonging to a family.

What does the allowance cover?

An allowance usually includes money for certain items and money children are free to spend as they please. The money for the agreed upon items teaches the costs of necessary purchases, while the money a child decides how to spend teaches decision making.

Activity: What Children Buy at Different Ages

Here are some guidelines on what children in various age brackets might be expected to buy and pay for out of their allowances:

Under 6: Candy, gum, ice cream, small toys, gifts for others, books, playthings, paints, crayons, blocks and dolls.

Ages 6-9: movies, amusements, toys, books, magazines, hobbies, club dues, special savings for sports equipment, carfare and lunches at school, school activities and school expenses, gifts for birthdays and holidays and contributions.

Ages 9-12: fees for skating rinks, pools, etc., club dues, hobby materials, sports equipment and repairs, games and special events, carfare and lunches at school, gifts for birthdays and holidays, contributions, trips, school supplies, clothing and upkeep.

Ages 12-18: the above, plus money for dates, grooming, cosmetics, jewelry, clothing, school activities, savings for special purposes such as travel and a future education.

What other things do today's children buy?

Sources: Sylvia Porter's Money Book and the Household Finance Corporation.

If there are restrictions on what your children can purchase, discuss them ahead of time. Perhaps you let them buy some candy and gum but limit it to a certain amount. Perhaps you reserve the right to say no to certain movies.

Your child should know which expenses are expected to be covered with the allowance and what unusual expenses you will help with. For instance, if a new bicycle tire is needed, should the child pay for it, or is it considered an unusual expense that you'll pay for? A child should know how such a situation will be handled before it happens and not afterward.

Pay the allowance regularly

Plan to give your child the allowance on a certain day of the week and in a certain amount—no more, no less, no sooner and no later. They shouldn't have to beg or remind you for the allowance.

Pay the allowance at the beginning or the middle of the week and use the same schedule consistently. When children are paid at a specific time each week, they learn they can count on their parents. By paying the allowance at the beginning or the middle of the week, instead of just before the weekend, children gradually learn how to stretch their dollars until the next payday.

Don't come to the rescue every time your youngster runs out of money. If children are going to learn how to manage money, they must face the consequences of their own spending mistakes.

Establish the allowance as a firm, contractual agreement between you and your child. Like any agreement, both parties should observe it strictly. The terms of the agreement shouldn't be varied without good reason. If there is a drop in family income, it's important to explain the financial problem in terms the child can understand.

Don't add to the allowance if the child overspends. Parents who are constantly giving their children extra money for special occasions are teaching their children that they don't really have to be responsible with their money, that "someone will always bail me out." Take this opportunity to

teach your child the value of saving for special things or events. Explain that if part of the allowance is set aside on a regular basis, soon there will be enough for special purchases. When a child overspends and asks for more money, you can give him/her an opportunity to earn extra cash. Parents can keep a list of harder-than-average tasks, such as cleaning out the basement storeroom or garage, that can be done for extra cash.

It's seldom wise to stop your child's allowance as a disciplinary measure or increase it as a reward. Instead, use allowances to let your children know they are valued members of the family and, at the same time, teach them how to handle money and make decisions.

How much should be paid?

The amount of allowance you give your child should be reasonable, considering family circumstances, the age and ability of the child, and what the allowance is to cover. Is it to cover necessities like school lunches, haircuts, clothes? Or is it to cover only discretionary spending on candy, toys and entertainment?

A good rule of thumb is that the allowance should be large enough to cover specified basic needs, plus a little extra to allow for saving and spending, yet small enough that it requires decisionmaking on the part of the child. It's helpful to keep a record of expenditures for a few weeks, and then set a trial amount for the allowance.

Unless it is financially impossible, it is important for allowances to include enough money to cover needs plus a little extra to spend for fun. If all the money is earmarked for needs, children have little opportunity to choose among alternatives and will miss the chance to learn important decision-making skills.

Zillions magazine (April-May 1991) reported that the median allowance for 9- and 10-year-olds was \$3 a week; and \$5 a week for 11- and 12-year-olds. The children in the survey received some additional money as well—\$2 for 9- and 10-year-olds; \$5 for 11- and 12-year-olds.

Another magazine survey, *Working Mother*, August, 1986, found that 5-year-olds received \$1.40 weekly, 8-year-olds \$2.13, 10-year-olds \$3.21, and 12-year-olds \$4.87.

Making a Money Plan

A money management plan for children is a simple guide to show where money comes from, where it's going, and how to use it to meet needs and wants.

A plan can help children of almost any age think about their ideas, needs and goals. The plan is a tool to guide them in making decisions and choices. When you help your child make a plan, remember the difference between needs and wants. A need is something necessary for life, such as basic clothing, food and housing. A want is something you believe will make life happier or easier, but it is not necessary for life. In other words, you could live without it.

As soon as children are old enough for allowances, introduce them to the idea of a budget plan. A plan can be for a week at a time, a month or a whole year, depending on a child's age and maturity and on the amount and frequency of allowance or other income. The plan for a 5-year-old should be very different from a teenager's.

To make a plan, have your child answer three questions:

- How much money do I have for spending, sharing and saving?
- What are my goals? What do I need?
- How much will it cost to meet these needs and goals?

You can begin by keeping a spending record for each child for a few weeks. Make sure that you or the child writes down all the money spent and what it was spent for.

After 3 or 4 weeks of keeping a record, you are ready to make a spending plan. By this time, your child will know where the money is being spent and will have a better idea of upcoming expenses.

Keeping track

Write down expected income for the week—allowance, earnings, gifts—and total.

Write down expenses expected during the week. Include amounts to be spent, saved and shared. Add them all together. How does this compare with income? If planned expenses exceed expected income, decide which expenses to cut back on or how to increase income.

Keep track of expenses during the week and add them up at the end. Now compare planned and actual expenses.

Make necessary changes in the plan for next week. If expenses are out of line with income, you will have to make changes in one or both. Are there items of spending, saving or sharing that should be cut out or reduced? Should the allowance be larger? Is earning money a possibility?

Success depends on keeping track of where money is going. It will usually be necessary to practice good shopping techniques and avoid impulse buying. It is important to recognize the roles of peer pressure and advertising.

It's difficult for children to imagine the future. Children are great impulse buyers. They often see things they want very much and may spend money they were saving for a different goal. If this is a problem for your children, encourage them to make one of their goals a cushion—a sum of money not earmarked for any other goal, so they can use it for whatever comes up.

Saving

Children may understand the concept of saving money if it's defined as postponing spending. Saving allows people to purchase things or meet other goals that cannot be financed through current income. In general, people find it easier to save money if they have a specific goal.

Saving money is often difficult for young people, because their goals may not be well defined and their sense of time is not well developed.

Planning means thinking ahead—having an idea of the future and the passage of time. This is something that children are not born with, but learn slowly. Five- and 6-year-olds may use words like "month" and "year," but often they can't imagine what it means to live through these time periods. As their memories get longer, it gets easier for them to think ahead and to understand time.

Until children become teenagers, they may not understand time the same way grown-ups do. Elementary school children have a hard time understanding saving for college or future security, but the 9-year-old who wants a baseball bat or a certain doll begins to understand the importance of putting aside money each week to have enough for a later purchase. Older boys and girls learn to save for clothing, vacations, stereos and college.

When children have gained some experience in handling money, it is time for them to open a savings account. Choosing a bank or other savings

institution can introduce them to many new concepts. The idea of interest—making your money grow—is an important one. Help your children comparison shop for a good interest rate.

Some financial institutions welcome younger customers, because they will be the customers of the future. These organizations may have special leaflets and other information for youngsters or first-time savers.

Sharing

Helping a child learn to give and share has value beyond the world of money. Sharing develops thoughtfulness. Preschoolers learn their first lessons in sharing as they exchange or share toys

and personal possessions with family members and friends.

Children learn by example. When children see parents, older brothers and sisters and other adults sharing their resources, it becomes a natural thing for them. Encourage children to share, not just money and material things, but their time, skills and ideas.

Children can be encouraged to give to community charity projects or other worthwhile endeavors. This develops a concern for the welfare of others by going beyond the familiar circle of family and friends.

Weekly Money Plan

Name: _____ Week of: _____

Income: \$ _____

Item	Amount
Money to spend for:	
_____	_____
_____	_____
_____	_____
_____	_____
Money to save for:	
_____	_____
_____	_____
_____	_____
Money to share :	
_____	_____
_____	_____
Total	_____

Children's Money Mistakes

Losing money

Whether through carelessness or accident, children frequently lose money. When this happens, try to understand the child's feelings before discussing ways to prevent further losses. Let the child know you understand and share his/her feelings and discuss the loss in a calm way. Find out how the money was lost. Did it fall out of a pocket? Did they go off and forget it somewhere? Was it left in an unsafe place?

To prevent future losses, help the child find a safe container and place to keep his/her money both at home and away.

One way to remedy the loss is to find substitutes. For example, children who repeatedly lose their lunch money could be required to make their own lunches at home for a period of time.

Avoid suggesting that your child is a "loser" or making the loss overly painful for the child. If a child continues to lose money despite your efforts, it may be that the child is not ready to handle money safely.

Breaking things

When a child damages something at home or breaks a neighbor's window, the question arises as to whether the child should pay for the damages. It depends on the situation and the child. What was the cause? Was it an accident, carelessness, or was it deliberate?

If the breakage was due to carelessness or vandalism and parents feel the child was acting irresponsibly or not respecting others' property, parents may decide to have the child either pay all or part of the cost, depending on the cost of the damage and the size of the child's allowance. If the cost is great, the child's share may be a small fraction of the total.

Point out that although accidents occur, it costs to repair or replace. If as a parent you help pay the damages, you can then explain that the money comes out of family funds and won't be available to spend on other things. This helps children understand how their actions affect the overall family budget.

Stealing

In most cases, children's stealing is a passing phase. The fact that a child has taken something does not mean the child is a thief, or likely to become one. The child should not be treated as a criminal, but the problem should be addressed calmly, privately and promptly. When stealing does occur, try to understand why it happened. Before discussing the situation with the child, ask yourself these questions:

- Is the child old enough (past 6 or 8) to realize that the money was not his/hers?
- Does the child have enough money of his/her own to spend for needs and wants?
- Are the child's activities interesting so that stealing does not seem like an exciting adventure?
- Is the child receiving ample acceptance, affection and understanding in his relationships with family and friends?

The preschooler may not realize that taking something that belongs to another person is wrong. The preschooler may simply need help learning what is and isn't his/hers.

Children who are aware that they have done something wrong should return the stolen item or pay back money that was taken. If stolen money has been spent, give the child the chance to make amends by helping them set up a repayment plan using their allowance or other earnings. For most children, getting caught and having to return a stolen item is consequence enough.

Children who repeatedly steal goods or money may need professional counseling. However, some children steal repeatedly and give the item or money to others. In this case, perhaps, the child needs help establishing friendships, both at home and with other children his/her own age.

Not spending money as agreed

A common problem with allowances is that the child skips lunch and spends the money on video games, comic books, candy and such. With

a younger child, parents can first check to make sure that the child understands what the money is for and if the amount of money they have is adequate. Ideally, children should have enough money to cover essential expenditures, plus a little extra for discretionary spending. With younger children, if misspending still occurs, parents may need to reduce the choices until they become capable of making previously agreed-upon purchases.

Hoarding money

Some children may hoard their money and refuse to spend it. This is often a passing phase, something that many children go through while they're learning to use money. If children hoard all their money, they may be getting the things they want by persuading parents to buy them. Sometimes young people have so much trouble deciding what to buy that they end up not buying anything. Or they may be secretly saving for some long-wanted items.

Parents may help by discussing possible ways to use money, guiding children in making choices, and encouraging young people to spend their own money for some of the things they want.

Spending sprees

Children may save money for weeks, and then suddenly spend it all on something you think is worthless. Seven- or 8-year-olds may use their entire allowance impulsively in one day, even though they have a spending plan.

When young children are out of money and may miss an event that you think would be valuable to them, it may be wise to give extra money. Then help review and replan expenditures. But when children of 11 or 12 who have had several years of practice with an allowance let themselves run out of money, it may do them good to face the results of their actions. Parents can talk things over with them calmly and, if they are missing out on something they really want to do, help them find something else to take its place.

Money Management Skills

Preschoolers

Preschoolers learn by doing. Young children have difficulty understanding abstract concepts of time and value. The limitations of money resources are hard for them to comprehend. They may think a larger coin (nickel) is more valuable than a dime, but gradually they develop some understanding about buying things.

Words, body language, tone of voice, as well as actions, let preschoolers know how you feel about money. They benefit from clear, simple explanations.

Young children can learn the difference between spending, saving and sharing.

They choose from two or three items but are overpowered by too many choices.

They can shop with an adult and pay for one item. They can begin to understand that family members work to pay for food, clothing, toys and other needs and wants.

An allowance given before the age of 5 is unlikely to have much teaching value. If older children in a family receive allowances, it may work well to give the preschooler a few coins at the same time and help the young child make a few simple choices.

Learning Activities

Playing games. Play counting games with pennies, nickels, dimes and later, quarters. Explain the different money denominations of the coins.

Making cards. Children can make birthday cards or similar items for relatives and friends instead of buying them. This activity involves sharing, substituting time and talents for money, and creating something that is fun.

Reading stories. Select stories or books where spending, saving, or sharing are discussed and illustrated.

Shopping. Plan shopping trips where you can devote time to teach shopping principles. Choose a time when the stores aren't busy, when neither you nor the child is too tired, and when you don't have so many things planned that the trip will be too long.

Provide the small child with the opportunity to choose between two kinds of cereal, two kinds of crackers or two types of similar products.

Give the child a small amount of money to spend for anything he/she wants, letting him/her choose between two or three items. An example would be letting the child choose between three flavors of sugarless gum at the check stand. Let him/her pay for the item and receive the change.

Making banks. This activity helps young children learn the difference between spending, saving and sharing.

Select three unbreakable containers or money banks. It helps if the containers or banks look different from one another. Use containers that the young child can easily handle. The child should be able to pick up the containers and put coins into them, but not be able to remove the coins without supervision.

Help your child decorate the banks. One way to differentiate between banks is to decorate the spending bank in green, the saving bank in blue and the sharing bank in red. Label the banks *Spending*, *Saving* and *Sharing*.

When you begin paying an allowance, or for extra help around the home, you can give the small child three coins each pay period. Then let him/her put one coin into each of the banks.

The Money Wise Child by Age 3-4

Perception of money:	Calls all coins pennies.
Spending:	Sees, imitates adults spending money.
Saving:	Has no concept of time or saving.
Sharing, giving and borrowing:	Learns through borrowing and sharing toys, books.
Earning	Learns by seeing where parents work.

The Money Wise Child by Age 5-7

Perception of money:	Knows money from other items. May not correctly name all coins and bills
Spending:	May be given a small amount of money to spend immediately. Can be introduced to the fact that money is limited. Can be given the opportunity to select from 2 or 4 items of the same price.
Saving:	Saving must have a purpose not far away.
Sharing, giving and borrowing:	Learns more about sharing, and giving by donating to church collections and purchasing gifts.
Earning:	May want to start earning by doing extra household chores. Understands and is more interested in parents' jobs.

Have the child lift the savings bank and spending bank each week. Which one is heavier? Soon it will be apparent that the savings bank grows heavier each week. Then you can explain that when money is spent it is gone, but when money is saved, it slowly grows.

Sharing. Teach your child that there are those who are less fortunate. Watch for opportunities to encourage him/her to empty the sharing bank by giving the pennies earned to a charitable organization.

Early grade school children

As children grow, so does their ability to handle money. Kindergarten children can be responsible for taking lunch money to school. Book fairs, class trips or workbook purchases often require that funds be transported to school.

In the beginning many children are somewhat awed by this responsibility. Six- to 8-year-olds may dissolve into tears if they lose money entrusted to them. At this point parents and teachers need to work out a balance between helping children accept responsibility and insuring that the burden is not too heavy.

Children of this age are old enough to understand how advertising works. Adults can explain that advertisers are not allowed to tell lies, but that they can imply things that are not true.

Elementary school-age children are eager to learn, but have short attention spans. Making choices is difficult. Money means more to them,

but they may be careless with it. They are beginning to develop an awareness of the relationship between today's decisions and tomorrow's results.

Learning Activities

Establishing an allowance. Work with children to establish an allowance. Let them help determine the amount and its use. Then help them create a simple budget or spending plan.

The allowance should be based on the child's expenses and ability to handle money. Younger children may need to receive their allowance two or three times a week, while an older child can manage a weekly allowance.

Setting goals. Encourage your child to set short-term goals. Help him/her to make a chart which shows how much money needs to be set aside each week in order to make the desired purchase by a certain date. Make sure the goal can be reached in a short period of time, so they will not become frustrated and give up. Use a simple budget and goal chart like the one included in this publication to help children understand how budgeting and saving can help them reach their goals.

Saving. Let the child open a savings account. Be sure the children understand that they are not losing their money when they give it to the bank or savings institution. Explain that the money is going to grow and that they'll have more when it's taken out. Some children fear they are giving away their money when it's put in a savings account.

Discuss advertising. Talk about how TV and radio commercials affect your family and its

choices. Study newspaper or magazine ads, paying special attention to frequently used selling words and claims that can or cannot be proven. Talk about how ads are made to appeal to different markets such as children, teens or senior citizens.

Later grade school children

During later grade school years children can absorb many basic money management concepts if they are presented in simple, practical ways. Gradually, children begin to think more logically. Some children like planning a simple budget. Others spend as if there were no tomorrow.

It is difficult for young children to understand the benefits of saving. An excellent time to begin is when children want something that costs too much to buy with their regular allowance. When implementing a savings plan, start with the basics. For example, work with your child to determine how many weeks it would take to save for a \$2.50 item at a rate of 25 cents a week as opposed to 50 cents a week.

Many children make more careful spending decisions once they begin to earn some money of their own. It helps to remember that each child learns in his/her own unique way.

Children at this age can make decisions and plans for carrying them out. Typically, they like to express themselves, to assert their independence, and to follow the crowd. They need understanding and guidance from adults, as well as the opportunity to learn by doing.

Learning Activities

Planning. Some children may be interested in developing a spending plan that includes income (allowances, earnings, gifts), expenses and savings. Work with the child to create his/her own worksheets. Others may manage better with an envelope system, putting money into envelopes for specific use.

Making decisions. Help a child analyze a situation where the decision may be not to buy, either because the product does not meet the child's needs or because money saved for a longer period may allow the child to make a more expensive, more desirable purchase in the future.

Shopping skills. Teach children shopping skills such as reading ads, comparing prices and checking quality. In addition, show children how they can obtain more information by reading labels, hang tags and consumer publications. Sit down with your child and study newspaper or magazine ads. Make a list of the frequently used selling words and claims that can or cannot be proven. Discuss the reasons why some claims can be proven and some claims cannot. Analyze how ads are worded or pictured to make the product seem more exciting. Discuss whether an ad is deceptive, misleading or could be harmful to consumers.

Children may enjoy helping make the grocery list. Go through the newspaper ads together as you compile your shopping list. When you shop to compare products, let the child know what you are doing. Point out the differences in size, weight and unit cost.

The Money Wise Child by Age 8-10

Perception of money:	Names all coins and bills. Converts coins to dollars and vice versa. Becoming aware of checks, credit cards and charge accounts.
Spending:	Beginning to evaluate quality, quantity and price. Learning that a dollar spent on one thing cannot be used for another. May be introduced to simple budgeting, such as putting money into an envelope for a particular use or following a simple written plan.
Saving:	Wants more expensive items. Ready for a savings account.
Sharing, giving, and borrowing:	Transfers knowledge about sharing and giving from possessions to money. May want to borrow money. If the child borrows, it should be a small amount that can be repaid quickly.
Earning:	Eager to earn, but few opportunities exist at this age.

Keeping track. Help your child keep a record book on an item that costs money to maintain. This could be done with a dog, cat, fish or other pet by tracking the amount of money spent for food, toys, and supplies and veterinary care.

Another item that the child can keep an expense account for is a bicycle. The child can begin with the initial expense of the bike and then record repairs such as new tires, reflectors, a helmet and such. This will help the child learn the cost of goods and services and that it pays to take care of the things they have.

Saving. Help your child open a savings account. You may be able to find a bank that has special accounts for children. These banks often waive the minimum balance requirement and allow the child to open and maintain an account with just a small amount of money.

Preteens

The preteen years call for flexibility. Childhood allowances may no longer be suitable. Some developing preteens, who exhibited little interest in managing their own financial affairs, may now be acquiring a keen interest in money matters. At this age children can be moody, sensitive, insist on privacy and guard what they perceive to be their own affairs with determination.

When parents provide their children with a predictable source of income, such as an allowance, they can also help the child set up a spending plan or budget. The budget can show expected income and how the child plans to allocate it for the next week or the next thirty days, depending on the age, interest and experience of the child.

Another approach to helping young people learn about budgeting is to involve them in age-appropriate discussions of the family's budget. Budgeting is not just record keeping to see where money goes. Its real purpose is in planning for future goals. The best time to show a child how to plan a budget is when a financial goal becomes apparent, but this isn't always the case. Make learning a little easier by explaining basic shopping principles when the opportunity arises.

Adults can help preteens seek and evaluate alternatives before making shopping decisions. This shows them how to make decisions and accept responsibility for those decisions. Preteens can learn about various forms of advertising. They can learn how companies use advertising to sell products, and this knowledge can help them be more discriminating consumers.

Learning Activities

Shopping. Give preteens a chance to make shopping decisions. Show them how to comparison shop. In the grocery store, point out unit prices, store brands and generic items. Help preteens learn shopping skills by teaching them about cost and quality comparison and the advantages of sales versus the disadvantages. This can be for household items such as appliances, as well as for the child's personal expenditures.

Getting involved. Some families get children involved with family money management—making out monthly checks, addressing envelopes, participating in family decisions about saving, spending and shopping. Explanations about financial choices are important. Adults should not assume preteens understand terms and concepts.

The Money Wise Child by Age 11-14

Perception of money:	Understands money transactions. Influenced a great deal by friends.
Spending:	Can select and purchase personal items such as clothing. Increased interest in family financial affairs.
Saving:	The child is ready to have a savings account, if this has not already been done.
Sharing giving and borrowing:	Child is ready to understand the concept of interest. If the child borrows from parents, the payment period can be extended as the child's understanding of credit and ability, to handle responsibility increases.
Earning:	Increased opportunity for earning outside the home.

Critical viewing. View ads with your children. Ask them what the advertiser is trying to get them to do. Preteens can learn to sort through the features of advertisements and become more effective shoppers.

Evaluating purchases. Letting children spend their own money for toys advertised on cereal boxes or on TV or items purchased by their peers, and then helping them evaluate if their purchase does or does not live up to its advertised potential can be an important family activity.

Budgeting. Help children set spending limits by listing their needs in order of importance. Help preteens develop simple budgets or records of their spending, borrowing and saving.

As a parent or adult caregiver, take time to think about the attitudes you are conveying to your children about money. Is there a difference between the way you manage your finances and the way you would like to see your children manage theirs? Open communication about family values is especially important as young people come in contact with others with different ideas.

Giving. Plan gifts for birthdays, Christmas or other occasions. Help children understand that sharing can be one of the goals of saving.

Teach preteens to evaluate their action—mistakes and failures as well as successes. Encourage them to ask themselves questions like “What were the results? What could I have done differently? What might have happened then? What choices do I have now? What might be the results?”

Summary

Competency in money management is critical in today’s society. Children who have opportunities to learn about money management as they are growing up have a better chance of developing into responsible, knowledgeable adults. Learning about money management is a continuing process that helps children develop good judgment about money use. It contributes to children’s confidence in their ability to make decisions, carry them out and accept the results.

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