



Money Sense for your Children

Lesson 1

Money Management Sense

Fact Sheet 06-93



Main Ideas

- \$ *Money management is a skill that must be learned.*
- \$ *Parents/caregivers play an important role in teaching children how to manage money.*
- \$ *Children need to begin learning how to manage money at an early age.*
- \$ *All family members need to be involved in family money management.*

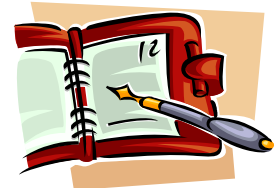
Key Words

- Money management** – Knowing how much money you have and then planning how to use it to reach your goals is effective money management.
- Values** – Your feelings of what is important to you. They are what you use as standards for making judgments and choosing your goals. Values are what you believe is right and good, for example, honesty and trustworthiness.
- Goal** – Your objective – what you want or need. This is something that is worth working to achieve, for example, a new car, a new bicycle, going to

college, taking dancing lessons, having money for emergencies, etc.

Comparison shopping – A way to be a better shopper. Checking out the item you want to buy in different stores and comparing different brands, styles and sizes are examples. Waiting until the item you want is on sale and always looking for the best buy is comparison shopping.

Family Meeting – A time for all family members to talk about matters that affect them. It is a good time for parents/caregivers to share with their children and teach them skills needed for a happy, successful life.



Money Management Sense

Children are like sponges. From the time they are babies, they absorb what they see and hear around them. They get their ideas about money from you as parents/caregivers. So, it is logical that home is the best place for teaching children about money.

Young children can't understand everything about family finances, but they can understand some things. Help them "grow into" good money management skills and values by letting them share in family discussions.

Every family is different. You have to decide for yourself whether to tell your children exactly how much money you make in dollars and cents. You may only want to talk about how much money you earn in a general way. But if children know how the family stands financially, they can do a better job of handling their own money.

The more children understand about family income, expenses and goals, the more willing they may be to cooperate with the family spending plan. For

example, if they know that family income is irregular or that the family has had a financial setback, they can understand why they can't have the expensive jeans or shoes they want.

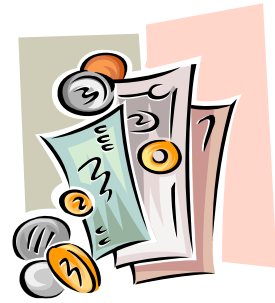
Teaching children the value of money without emphasizing it too much is a challenge to parents/caregivers. Answer the questions that follow to find out how well you are teaching your children to manage money.

HOW ARE YOU DOING? RATE YOURSELF

- Do my children have some money to manage without my interfering?
- Have I helped each of my children set up a spending plan?
- Have I explained why and how people save money for future goals?
- Do I avoid using money as a reward or punishment?
- Do my children have regular household chores to do?
- Do I help my children find ways to earn extra money, suitable to their age and ability?
- Do I set a good example by being truthful about money matters?
- Do I give my children more financial responsibilities as they get older in order to help them gain experience in handling money?
- Do my children participate in family money management?
- Am I a good money manager, giving my children a good example to follow?
- Have I shared my own mistakes with money so that my children can learn from them?

Yes answers show that you are probably helping your children gain money management skills.

No answers suggest that you may need to help them more. Either way, this home study series will offer ideas for new ways to make both you and your children better money managers.



What Parents/caregivers Need to Know

Children are *not* born with “money sense.” They learn by what they see, hear and experience. They learn from mistakes as well as successes. As a parent, you are teaching your children every day – not just by what you say, but by what you do. Consider what can happen if you hand out money every time children ask for it. They may get the idea that when you want money, all you need to do is ask for it. The way children learn depends partly on their age. Children mature at different rates. Don’t expect these age descriptions to fit your children exactly.

Preschoolers

Preschoolers learn from doing. Words, actions, facial expressions and tones of voice tell preschoolers how you feel about

money as well as other things. Four- or 5-year-olds are ready for simple money experiences.

Six- to 12-Year-Olds

Six- to 8-year-olds are usually eager to learn but restless. Sometimes it’s hard for them to make up their minds. They need to be encouraged to make decisions on their own. By age 8, they may understand the idea of saving money, but they may still have unrealistic ideas about what they can buy with it. By age 9, children can often make decisions and plans for carrying them out.

During the ages of 9-12, children are likely to conform and follow the crowd. Often they are very much afraid of looking “different.” Children at this age need a chance to let off steam, to express themselves, to talk and to show their independence. They also need understanding and guidance

from their parents/caregivers.

Teenagers

By the time youngsters reach high school, they often feel they can take care of themselves and make their own decisions. This is an age when young people benefit from having been taught money management from an early age. Such training will give the teenager the skills and confidence needed to solve money problems.

Things To Do

Family

Have regular family meetings – maybe once a week, every two weeks or once a month. All family members get together and talk about their needs and wants and what they can afford to do as individuals and as a family. This way, children can see themselves as “partners” in family money

management. A regular family meeting helps children understand that family spending depends on the family's income, obligations and values – not on what friends or neighbors spend. All children can participate based on their maturity and attention span.

At your first family meeting, talk about family goals. Make a list of your goals, estimated costs, dates you hope to achieve them, and what each family member can do to help reach the goals.

Play a “value voting” game. Read the following situations aloud at a family meeting and let everyone vote. Ask them to explain why they voted the way they did. Also, think of other possible scenarios.

1. If I had an extra \$15 today, I would
 - a. Buy a book.
 - b. Buy clothes.
 - c. Save it.
2. If parents/caregivers had \$200 extra, they could
 - a. Invest in a money market account.
 - b. Buy a VCR or DVD player.
 - c. Give it to charity.

Use family meetings for comparison shopping. Family members can bring catalogs, newspaper ads and coupons to compare. You may want to chose one family member to look for brand-comparison articles in consumer magazines (usually available at your local library).

Preschoolers

Play store with your child or several children in the neighborhood. Let the children buy and sell toys, food or “pretend” items using empty

boxes. The empty boxes can represent anything from a box of cereal to a television set. You can use play money from games or make your own.

Take your children on a shopping trip. Give them a small amount of money to spend. Let them decide what to buy and then pay the cashier. Later you can talk about the purchase. Were the children pleased, unhappy, satisfied, etc.?

Help children understand that family members work so they can pay for family needs – housing, food, clothes, etc. Talk about who works in the family and what they do. You might even take the children to see family members on the job, or at least see where they work.

Let children cut out pictures from magazines showing what the family spends money on. Help them make posters to hang in their rooms.

Explain why children can't buy everything they may want. Talk about the difference between what people want and what they need. Let children point out needs and wants from pictures on their posters.

Encourage children to sometimes buy things that they can share with others – food, games, puzzles, balls, crayons, etc.

When children can count to 10, introduce them to coins. Explain how they go together – five pennies are the same as one nickel, two nickels or 10 pennies are the same as one dime, etc. Talk about what different coins can buy.

6- to 12-Year-Olds

Give children 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.

Get the children involved with family money management – making out monthly checks, addressing envelopes, mailing packages, helping with shopping, and gathering information before a major family purchase.



Provide opportunities for children to earn money. Keep earnings separate from allowance. (There will be more about this in Lesson 2.)

Teenagers

Let teenagers manage their own money. They should be responsible for paying most of their personal expenses out of their allowances and earnings.

Give teens more responsibility in family money management. For example, teens can do grocery shopping, put gas in the car, take younger children shopping and help write checks.

Encourage teenagers to earn money – either by finding a job or by starting their own business. But, remember that 14 hours to 20 hours per week are enough hours for them to work. Longer work hours cut into the study time that this age group needs.

Teens who have jobs may be ready to open a checking account. Parents or financial institution staff can teach teens how to use an ATM card and on-line banking services.

Additional Resources

Encourage long-range planning, setting goals for education, jobs and their future. Lesson four in this series gives ideas for spending plans to help children reach their goals.

Help teenagers understand when to use cash and when to use credit. Teenagers need to know more about wise use of credit before they go off to college or the workplace and begin receiving numerous solicitations for credit cards. Already, about a third of teens owe money to a person or company, and half of those are concerned about being able to pay it back.¹ “Unit four Good Debt, Bad Debt: Using Credit Wisely” of the NEFE® High School Financial Planning Program <http://hsfpp.nefe.org/home/> has excellent credit information for teens.

¹“Teens and Money.” Charles Schwab Foundation, April 2006.

This newsletter series covers general suggestions for teaching children money management skills. There are many other sources of information available.

The public library has a number of topical books for children. Using a storybook to teach money management skills can be an enjoyable approach to an otherwise serious and sometimes dreaded topic. University of Nevada Cooperative Extension’s “Money on the Bookshelf” [Money on the bookshelf](http://www.unce.unr.edu/programs/sites/moneybookshelf/) <http://www.unce.unr.edu/programs/sites/moneybookshelf/> website has a list of children’s books about money and tips for teaching about money using books.

Internet access is available to all. (If you do not have internet access at home, check with your local library.) It provides broader access than would otherwise be possible. There are many educational and commercial sites dedicated to money management. Spend time with your children investigating these sites. Web page locations change often so keep “bookmarks” updated. Some sites are listed in individual lessons. A more complete list is included in lesson six.

“Children and Money Series” <http://www.extension.umn.edu/distribution/youthdevelopment/DA6116.html> from University of Minnesota Cooperative Extension outlines, by stage of development, children’s understanding and use of money, as well as conflicts about money. Activities and concepts parents can use when teaching children about money are also included.

Other general resources:

Your Preschooler and Money
<http://www.unce.unr.edu/publications/files/cy/other/fs9886.pdf>

Coming in our next lesson, we will discuss where children get their money and how to use allowances to teach good money sense.

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