



Money Sense for your Children

Lesson 6

Your Questions – Your Answers

Fact Sheet 06-97



Main Ideas

- \$ When family members work together, they can solve their problems better and address issues affecting each family member.*
- \$ Children learn through family discussions.*
- \$ Children learn by doing. There's no better way to teach money management than by letting children manage their own money.*
- \$ Children need help and guidance to point them in the right direction.*
- \$ The best teacher is a parent who sets a good example.*



Key Words

Family meeting – A time for all family members to get together to talk about matters that affect them. It's a good time for parents or caregivers to share with their children and teach them skills needed for a happy, successful life.

Goal – An objective; a need or want that you can work for.

Spending plan – A simple guide to show where money comes from, where it's going, and how to use it to reach goals.

This bears repeating...

Why are these three key words (family meeting, goal and spending plan) being repeated? Because they sum up the most important tools you can use to teach your children good money sense. You'll probably find that they do much more.

Family meetings can help parents and children understand each other better. It can help children share actively in family goals. When children share family values, they feel like "partners" in the business of managing the family income, and as partners, they are more likely to be willing and eager to help.

Setting realistic goals and working toward them with a spending plan can develop responsibility far beyond money matters. Children learn skills and attitudes that can help them manage their time, plan careers, share their resources and make sound choices in many different aspects of life. Parents

can share values and discuss why they are important.

Review

The first five lessons covered the ways children learn good money sense by watching what you do, listening to what you tell them and practicing handling their own money – at first just a little, later more and more. We stressed how an allowance can help children learn, and the value of an allowance that is not used for discipline or payment. We showed how to make a spending plan that includes saving for goals and sharing with others, and we talked about ways to resist advertising pressures and using advertisements to help make good decisions.



This lesson answers some practical questions that parents have asked.

Questions That May Concern You

Q: What if a child loses money?

A: Sympathize with children when they lose money. Let them know you understand and share their feelings, and discuss the loss in a calm way. Find out how the child happened to lose the money. Did it accidentally slip out of a pocket or was it not put in a safe place? Suggest ways to prevent future losses and encourage the child to carry only as much money as is needed. If some of the lost money is really needed for essentials, you may want to replace that amount; but children need to learn that they are responsible for taking good care of their money.

Q: What if the child hoards money?

A: Some children may hoard their money and refuse to spend it. This is probably a passing phase and is something that many children go through while they're learning to use money. Encourage them to keep it in an interest bearing account.



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 can help by discussing possible ways to use money, guiding children in making

choices and encouraging them to spend their own money for some of the things they want.

Q: What if a child uses allowance money for the wrong things?

A: Sometimes children don't use money as they agreed. For example, a child might spend lunch money on video games. Make sure children understand what they are supposed to pay for out of their allowance. Also, check to make sure the allowance is enough to cover necessary expenses and leave a little for personal choices. If children still don't stick to their agreements, you may want to supervise their spending more closely for a while and reduce the number of choices they have.

Q: What if a child goes on spending sprees?

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

But when 11- or 12-year-olds, 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 use this teachable moment to talk things over with them calmly, and if they are missing out on something they really want to do, parents can help them find something else to take its place.



Disappointment is a reality of living, and it's important to learn how to get over it.

Q: What if a child breaks something in the house?

A: Should children be made to pay for such damages out of their own money? That depends on the situation and the child. Was it an accident beyond the child's control, or was it carelessness? Was it deliberate? It also depends on the amount of the allowance and the cost of the damage. If a child has to pay a whole week's or month's allowance, parents will end up handing out money to pay for the daily needs. But unless the accident was unavoidable, it may be a good idea for the child to pay for part of the damage to gain an understanding of the value of property.

Q: What if a child breaks a neighbor's window or damages other property?

A: If a neighbor's window is broken as a result of a backyard game, someone has to pay for the damage at once. If the cost is not too high, it may be a good idea to let the child apologize and arrange for the repairs.

If the cost is too much for the child's (or the group's) allowance to cover, parents may have to help out. In a crisis, it's a rewarding experience to stand shoulder to shoulder with children. When you help pay damages, you can explain that the money comes out of family funds and won't be available to spend on other things. This will help children understand how their actions affect family spending.

Q: What if a child steals money?

A: Parents are often shocked if they discover that a child has taken money from them or someone else. But this doesn't mean that the child is a thief or likely to become one. Don't treat your child like a criminal! Children's stealing, in most cases, is a passing phase.

When it does happen, parents should first try to understand why it happened. Handle children's stealing calmly and privately, but promptly. Preschoolers may need help in learning what does and does not belong to them. Children past 6 or 8, who know they have done something wrong, can be given a chance to "save face" by returning what they have taken. Explain to them that the owner needs it. If the money has already been spent, let the child pay it back from allowance or savings.

If children steal money and give it to others or spend it buying others treats, it may be an action to attract attention. Help children make closer friendships both at home and with others of the same age. Repeated negative behavior may be a sign of a deeper issue—counseling may be needed.



Guidelines for Parents

Remember that no two families are alike, so no hard-and-fast rules can be provided to help you teach your children money management. You can use the following suggestions as guidelines as you and your family manage your money.

- \$ Be a good manager yourself. The financial responsibility that children find in their own home will shape their attitude toward the use of money.
- \$ Give children a regular fixed allowance as soon as they are old enough to understand the use of money. Teach them that the allowance takes the place of asking for money.
- \$ Let children in on the family financial picture. Boys and girls should be given a general understanding of the family's income, its principal source, and the family's main expenditures. If these discussions are kept cheerful and matter-of-fact, the topic of family spending need not be too great a responsibility on young shoulders.
- \$ Give children opportunities to get experience in managing money.
- \$ Let children make mistakes and learn by experience that wasting money today means doing without later. Let children see that buying a cheap product is often expensive in the long run. But watch yourself! If you spend the children's money for them, it won't teach them the use of money.
- \$ Encourage children to earn money, if they want to increase their income, by giving them a real job to do and by paying no more and no less than it's worth. Be sure that any work children do outside the home to earn extra money is not physically harmful and is age appropriate. Keep them safe. Help your children find ways to earn money.
- \$ Never use money as a reward or punishment. Teach children that there are tasks to be done without pay as a part of the family group and even as a member of the community.
- \$ Teach children the value of saving for a definite purpose instead of saving for the sake of saving. Let them learn the folly of spending all their money at once and then needing to borrow. Teach children that borrowing money costs extra and must be repaid. Try to show that by going without something now, they may have greater satisfaction later.
- \$ Explain that taking care of things that cost money is as important as saving money itself.
- \$ Help children to realize the importance of wise sharing, as well as wise spending and wise saving, but don't overemphasize the value of sharing money. Don't give children the idea that they can buy friendship or respect. Show children that satisfaction and happiness can come through service.
- \$ Encourage children to write down financial transactions. Introduce them to banking, either by having them open a personal account or by helping you with the family account.
- \$ When you teach children sound financial habits, you will equip them to solve many of the difficult problems of adult life.

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 to 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. Check out some of the additional resources listed and encourage children to participate in other educational activities offered at school and through other organizations.

Additional Resources:

Jump\$tart Coalition for Personal Financial literacy - curriculum clearinghouse
www.jumpstart.org

Children
, Youth and Families Education and Research Network
<http://www.cyfernet.org/>

eXtension – Personal Finance
www.extension.org

This concludes our series: Money Sense for Your Children.

Thank you for participating!

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