



VALUING PEOPLE. VALUING MONEY.  
MANAGING IN TOUGH TIMES INITIATIVE

# FAMILY FINANCIAL MANAGEMENT

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THIS MONTH'S TOPIC:

## Teaching Your Children About Money

**M**oney management is something everyone needs to understand. Teenagers and older children need to know how money is earned, how it can be spent wisely, and how it can be saved and invested for the future. But too many parents do not take the time to teach their children about the value of money, and unfortunately, many of those children grow up to struggle with money management. Parents should begin educating children about money at an early age, but it is never too late to start. Begin by teaching older children how to read a bill. Take the time to explain its different components, such as taxes, the amount owed and why, the due date, and then let your kids brainstorm ways to save money (like turning off lights and water when not in use). Money management habits that teenagers form now will carry over into adulthood.

According to the 2003 Northwestern Mutual "Teaching Kids About Money" parent survey, nearly 50 percent of the parents surveyed admitted they don't set the best example when it comes to managing their own finances. How do you compare? Do you set a good example with budgeting and finance?



Whether you're managing a little or a lot, try to teach your children the importance of making wise financial decisions. Explain to your teenager that it's important to keep motivation high when working toward a financial goal. Help your teenager choose a goal, and then brainstorm ideas of how to save money. You do the same.

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Sources: Financial Security: Children and Money, Cooperative Extension, <http://www.extension.org/pages/8623/financial-security:-children-and-money>.

Teaching Kids about Money Parent Survey Summary, "Kids Learn Money Lessons Early at Home, But Parents Lack Confidence as Role Models," Northwestern Mutual, Survey Shows, October 2003. [http://www.nmfn.com/tn/aboutnet--nm\\_nr\\_kids](http://www.nmfn.com/tn/aboutnet--nm_nr_kids)

Teaching Children about Money, PBS, That Money Show. <http://www.pbs.org/wnet/moneyshow/makeover/article6.html>



## *Experience can sometimes be the best guide*

Most kids are defiant at some point. Often they will do the opposite of what they are told, despite a parent's best intentions. But experience can sometimes be the best guide. When teaching your kids to handle money, let them get hands-on. Does your child earn an allowance? If so, consider letting your son or daughter open checking and savings accounts. Teach them to make deposits, and most important, to balance a checkbook. In the age of debit and credit cards, as well as ATMs, many youth never learn how to balance an account register. Also, encourage depositing a set percentage each week or month into savings. Teach your child how to track where their money goes.

If you show your older child how to budget his allowance, chances are high that mistakes will be made. However, if he "blows it," resist the urge to fork over more cash. Let him learn from his mistakes. Eventually budgeting skills will improve. As long as you are providing for your child's physical and emotional needs, it will not hurt to "learn the hard way" when it comes to their wants.

For example, if your teenager has her eye set on some expensive gadget or gizmo, unless it's a birthday or holiday, let her earn it. Work out a payment plan to earn the money. Is she pining for a cool phone or game? Create a list of chores and how much you are willing to pay for each task.

\$1=taking out trash

\$2=emptying dishwasher

\$10=mowing the yard

Rewards are always more meaningful when they are earned and not just given!

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Teach your child to set SMART financial goals. SMART goals are:

- **Specific** (to buy a new smart phone)
- **Measurable** (that costs \$100)
- **Attainable** (by saving my allowance and birthday money)
- **Relevant** (because I will use and appreciate it)
- **Timed** (at the end of three months)

Setting goals with clear objectives gives a child something to work toward. Challenge your teenager to be SMART with his or her money! Help them out when you can by encouraging their efforts and offering advice along the way. We live in a society that romanticizes instant gratification. Demystify this trend. If your child really wants something "extra," test his or her desires by seeing how hard he will work for it. You are realistically promoting a work ethic that will likely lend itself to a deeper appreciation for money and good, old-fashioned hard work.

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