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MANAGING IN TOUGH TIMES INITIATIVE

# FAMILY FINANCIAL MANAGEMENT

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THIS MONTH'S TOPIC:

## Family Communication About Money

**W**hy should families talk about money? Arguments over finances are a common problem in many families, regardless of income, age, and education. They are often due to a lack of family communication in general. Including your children in age-appropriate discussions about family finances is a great first step to help them learn to value money and spend it wisely. When parents never talk to their children about money, the children don't gain the hands-on financial experience needed when they begin to spend money of their own.

As with many things, children learn about money by watching their parents. They also learn by practicing money management. Older children who take part in regular discussions about their family's financial management learn how to make financial decisions on their own. Even if a child does not earn money to help with the family's expenses, the children in a family influence the family's spending choices; the wants and needs of children are a part of the family budget.

Teenagers can be especially unrealistic about the family's financial situation, typically over or underestimating the family's income and expenditures. It is important that parents help paint a realistic picture of the family's financial circumstances, especially for older children.



## Children learn about money by watching their parents

Make regular discussions about money comfortable by using these tips to improve your family's communication skills:

- *Be honest* about your money situation. If you cannot afford something, let your kids know. Use your judgment when disclosing information, but do not lead your children to believe you have more disposable income than you really do.
- Know that *conflict may arise*. Don't avoid (or ignore) it.
- Learn to manage conflict by *respecting each family member's differences*.
- Try to *be flexible*. If possible, work towards a decision that is agreeable to all.
- *State your wants, needs, feelings and thoughts*, and allow family members to do the same.

When teaching children how to manage money, experience is often the best teacher—so, let them get hands-on. If your child has an allowance, birthday, or holiday savings of his/her own, suggest opening a checking and savings accounts. Teach him/her to make deposits, and most importantly, to balance his/her checkbook. In the age of debit and credit cards, as well as ATM's, many youth may never learn how to balance an account register. Also, if your child has a regular income, such as allowance, encourage depositing a set percentage each week or month into savings. Teach your child how to track where the money goes.

If you show your older child how to budget his/her allowance, chances are good he/she will not do it perfectly the first time. However, if he/she blows it, resist the urge to fork over more cash. By learning from mistakes, children's budgeting skills will eventually improve. As long as you are providing for physical and emotional needs, it will not hurt a child to go without a want until he/she has earned enough money to pay for it himself/herself.

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For example, if your child has his or her eyes set on some expensive gadget or gizmo, unless it's a birthday or holiday, let him/her earn it, or work out a payment plan to earn the money for the purchase. Begging for a cool phone or game? Create a list of chores and determine how much each task is worth, for example: \$1=taking out trash; \$2=emptying dishwasher; \$10=mowing the yard; Rewards are always more meaningful when they are earned and not just given!

Challenge your child to be SMART with his or her money! Help out when you can by encouraging his/her efforts and offering advice along the way. If your child really wants something extra, test his or her desires by seeing how hard he/she will work for it. If an older child understands how many lawns must be mowed or how many hours he/she must babysit to earn enough money to buy an item, it will help him/her determine how much the item is truly wanted. You are promoting a realistic work ethic that will likely lend itself to a deeper appreciation for money.

## FAMILY FINANCIAL MANAGEMENT

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