

“Talking to Kids About Money”

A WebbyBites Video

Stacy Francis- CFP, Savvy Ladies Founder

www.savvyladies.com

Topic 1- Research on Parents, Children, and Money

- **2001 Parents, Youth & Money Survey** shows many parents are missing the boat when it comes to educating kids about money management.
- Parents think they are educating their children well but only about 20% actually have the knowledge they need on the subject. 61% of parents say that parents and schools should share the responsibility
- Only about 38% of parents think it is their sole responsibility.
- While many parents report behavior states they are teaching their kids about finances, other reported behaviors and attitudes raise questions about the truth to this claim.
- Money talk is taboo

Topic 2- Talking to kids of all Ages

Good places to start- Talking to a 3-6 year old

- Talk about what is most important to them at that age.
- It works best to tailor it to their current wants and needs. For example- wanting an ice cream cone from ice cream man.
- Involving them in fun and easy chores at a young age lets them learn how to get involved, and shows that things do not happen magically
- You can promise that if they get X amount of money, you will help cover the rest.
- Explain this and teach at the same time- integrate teaching counting and basic math skills into the situation.
- Get them excited by buying a fun piggy bank.

Speaking points

- “If you want that new toy maybe you can save up your new allowance, and when you have enough I will take you to the store and you can pay for it yourself, like a big girl/boy!”
- “If you want some money for the ice cream man, maybe you can help Mommy wash her car later.”
- “If you save enough money in your piggy bank we can get _____ for you.”

- “If you had 50 cents and you got one more one dollar bill, do you have enough to buy your ice cream?”
- “If you can earn 5 dollars for helping Mommy and Daddy, then we will help you pay for your toy”
- “If the toy is 6 dollars, and you have a 5 dollar bill and a one dollar bill, do you have enough money?”

Talking to 7-10 year olds

- You can start to introduce larger sums of money and make them get even more involved.
- This group wants more expensive items such as bikes, different clothes, and they are starting to see older children and wanting to replicate what they have.
- These kids want to get away from being treated like a “baby.”
- Show them that they need to still be responsible- up the allowance value a little more and make them put in a little more effort to earn the money.
- Teach them how to get and make the proper change.
- Start showing them how to use a credit card at check outs, and the importance of receipts.
- When they save enough money to pay for their chosen item- let them go up by themselves to pay for it.
- Since people can take advantage of children- prepare them to know exactly how much they are paying, as well as what they deserve to get back
- Start challenging your kids to do well in school, it is a little extra incentive that teaches them to be responsible and on top of schoolwork, and helps them earn rewards.

Speaking points

- “If your toy cost 30 dollars and you give them 2 twenty’s, how much change should you get back? What would be the smartest way to give them change?”
- “If you start doing daily things to earn more money, like clean your room, and help me dust, you can earn more money.”
- “If you want to get a bike, you will have to save up half and then we will match that amount and help you pay for it. You can earn more then your allowance by getting good grades, and helping out more with household chores.”

Loaning to others

- You are teaching them how to deal with THEIR money, it is no longer yours- they share more easily then adults.
- Address in the 7-10 age group
- Make them aware that once they give their money to a friend they may never see it again.
- They need to know the possible consequences that come with lending money and they should be aware that it is a 50/50 risk.

- Children are more likely to do trades- make sure they know the value of a dollar, they could potentially lose what they worked hard for.

Talking to 11-14 year olds

- Start explaining the tax that is always added on to their purchases.
- Focus more on explaining them how to stretch their money.
- Start teaching your children how to get more out of their twenty dollars. Teach them how to calculate how much they will be saving when shopping on the “40% off” rack.
- Teach them how at the grocery store sometimes it pays to buy in bulk and save extra cash.
- This age group starts doing more social activities with- teach children to make smart food choices while also teaching them the best places to get deals while still eating a proper diet.
- They are nearing high school, and will soon be driving- teach them to start saving in a bank account.
- They can deposit birthday money and other income sources into their own savings account.

Speaking points

- “ If you want those designer pants, Ill take you to the mall, but be aware of how much money you have, maybe we can look on the sale racks and find them for much less”
- “Since you invited a lot of people to your birthday party, we need to get a lot of food. Why don’t we go to Costco so we can get the amount we need for a lot less. Plus we can eat the leftovers!”
- “The jacket you want is \$50. If it says 30% off of \$50, how much is it now?”
- “Since your grandma gave you \$100 for your birthday, let’s go put half in your savings account and you can spend the rest on anything you’d like.”
-

How to cut costs and still have fun

1. *Brown bags.* If you are consistent and make your children lunch-to-go every day, they won’t even know fast food is an option. You’ll have more money – and they’ll be healthier.
2. *Vintage.* It’s very fashionable these days! When your children are growing quickly, while there’s no need to deny yourself the occasional splurge, buy the majority of their clothes in vintage stores. When they have outgrown them, resell. You’ll be saving the planet, too!
3. *Outlets.* For many teens, the world centers around labels. Fortunately, you can find many of them at 25-75% off in outlet stores – and sometimes online.
4. *Tax credits.* When shopping for the right child-care program, be sure to make the most out of the tax breaks granted to you by Uncle Sam.

5. *Score free entertainment.* For the creative parent, fun free-of-charge activities abound. Libraries are excellent resources, as is the great outdoors!

How to address a recession

- When we are fearful, our children can feel it.
- Don't address it as- "tough times ahead", "disastrous state of the economy," and "next Great Depression."
- Don't lie to your children- inform them about the changed circumstances.
- ALWAYS ensure them that they will have a safe place to stay, food, and clothes and let them know you love them and will always protect them.
- Don't be one of the many people who invent doomsday prophecies and share them with their children
- Tell them about how you are going to conquer the bumps ahead, together as a family, and focus on solutions and actions you and your child can take.
- Try to assume the economy is headed for a quick recovery.

Talking to the older group- 15-16 year olds.

- This age group is the "new drivers" group.
- They should start to use all of what you taught them in the past and apply it to car shopping and insurance shopping.
- Teach them about insurance and what it costs monthly, as well as what happens in the event of a crash.
- Teach them about the cost of maintaining a car as well as how to shop around for the best gas prices.
- Teach children how to be aware of how pricey a cell phone can get- have them share the costs.
- Since they now have transportation and a phone to be reached at, they can get an after school or summer job to help you with their expenses.
- Teach them not to blow their salary
- Look into direct depositing, so that the money can instantly be deposited into a bank account.
- Set up two bank accounts with them- one for spending now and one for long term savings.
- Now that they have a source of income, they can help pay for their newly acquired expenses such as a monthly phone bill, gas, and car insurance.
- Start them on the Roth IRA which allows them to put a little money away for their future retirement fund.
- Do not let your fears of them leaving the house soon, force you to coddle them and let them take advantage of your wallet.

Talking to 17-18 year olds

- This is crunch time before they forever change their lives and enter into the next phase of becoming an adult.

- They will leave the nest and must have the financial tools to succeed outside of it. At this point they should understand the need for a budget.
- Create online accounts so they can check the balance whenever they want.
- Teach them how to pay bills on time by first having them pay you.
- After getting in the habit of having a deadline to pay you on, it is then easier to roll it over to the company itself and have them learn how to really pay their own bills and do so on time.
- Stress the importance of eating in most night and how just by doing that little act; they can end up saving you and themselves hundreds of dollars a year.
- They should know all of their income shouldn't be spent- they must decide what is necessary for the future and what can be done now to soften the blow of the real world.
- Teach them about credit at this time it is wise to open a credit card.
- It is much safer to start them on something with a fixed rate like a student card that has a low limit of about \$500.
- Another good thing to try is to link a debit card to their checking account.
- Teach them, especially with a debit card, that everything you spend you should be aware of.
- The average student leaves college with more than \$2,700 in credit card debt. That's separate from any college loans they may have.
- Send kids off to college prepared to handle the financial responsibility- make them aware of the gravity of the investment the entire family is making in their future, is a huge step toward their own independence

Resources for Financial Information.

- ***Employer:*** get to know your company's benefits, inquire about the 401(k) plan or contribution plan.
- ***Financial Advisor:*** ask for specific tools and information you can use to teach your children about monetary issues. Be sure to work with a CFP (certified financial planner), and fee only one advisor.
- ***Media:*** go to Barnes and Noble- There is a wealth of information provided by financial publications, newspaper articles, and television and radio shows. Visit online resources that provide tips for teaching children about finances.
- ***Financial Planning Software:*** the next time you do your budget using financial planning software, or using the Savvy Ladies Excel Monthly Budget Tracker, take the opportunity to involve your child and explain where all the money is going.
- ***Turn to your community:*** find out if there are any activities or information available at your local bank or financial services companies. Look for guidance through your children's teachers, youth group leaders, or even at your faith-based gatherings.
- ***Your daily life:*** everyday activities such as shopping for the groceries or making menu choices when eating out provide ample opportunities to discuss money with your children. Introduce financial topics into your conversations whenever possible.

Topic #3- Debt and Money Taboos

Debt

- Debt is something that can affect anyone if not careful, especially kids with brand new credit cards- they could ruin their future before they are even old enough to understand what they have done.
- Parents in debt should try and teach their kids from their own mistakes.
- Teaching about debt reminds their child that in order to maintain a good credit history they need to; to live within a budget, pay all their bills on time, keep accurate records of their spending.
- Teach your child the difference between needs and wants, how to budget and how to save, your kids will know more than many adults.
- The age of the most danger is 18. Make your child aware of the dangers of opening a credit card you know nothing about.
- The age to make them aware would be as early as the 11-14 groups. They have the attention span to listen, and they know about what credit cards are used for.
- The next time you whip out the credit card in front of them to pay for a purchase- let them know what you do to stay away from this problem.
- The earlier the better when it comes to talking to your kids about debt and credit cards.

Money Taboos

- Parents think that it is not proper to involve children in their finances
- If you are talking about money with someone who does not have a lot of it, the subject becomes a sore issue and most times is treated as entering forbidden territory.
- Parents should realize that there is no need to be embarrassed or ashamed to talk about finances, even messy ones.
- Attitudes that money is taboo will often lead kids to never talk about finances even when they have very important questions.
- Having unanswered questions about money can change the way you handle it and lead a clueless person into a future of messy finances and debt.
- Having a healthy relationship with money is the best way to educate kids.
- If you think that they shouldn't learn from your personal finances then take them to the library and check out books about what good finances should look like.

Bridging the Generation Gap when speaking to kids

- **We are family.** Be sure the entire family attends the financial planning meetings. We even have toys at our office so parents with young children can bring them into the office as well.

- **Disney World or Paris?** Discuss family financial matters (e.g., family budget, allowances, routine shopping, purchase of a new car or home, planning a vacation, paying for college, etc.) with the kids and parents.
- **Budgeting Basics.** Teach the kids to identify financial goals, create a budget, track expenses, and comparison shop.
- Get the kids involved. Send the kids newspaper articles, magazines, and books.
- **Investments explained.** Explain how investments work (e.g., mutual funds, a checking or saving account, 401(k) plans, IRAs, stocks, bonds, savings bonds, etc.).
- **Credit card conundrums.** Our clients love that there are no more credit card conundrums as we help their kids get their first credit card and learn how to use it wisely.
- **Open the lines of communication.** Discuss with your children what options they have when they receive a monetary gift

Topic #4 Resources and Conclusion

- Teaching your kids that working hard, respecting the value of money, and learning to save are basic skills that you can instill in your children.
- Below are a few resources you can go for financial information for yourself and your children.

For Parents:

- Raising Financially Fit Kids; by Joline Godfrey (take away ideas)
- Silver Spoon Kids: How Successful Parents Raise Responsible Children; by Eileen Gallo (theory and profiling)
- Children of Paradise: Successful Parenting for Prosperous Families; by Lee Hausner
- Kids, Money and Values; by Patricia Schiff Estess (take away activities)
- What Kids Really Want That Money Can't Buy: Tips for Parenting in a Commercial World; by Betsy Taylor

For Kids:

- Ultimate Kids Money Book; by Neale S. Godfrey (reading level age 9-12)
- The Kid's Guide to Money: Earning It, Saving It, Spending It, Growing It, Sharing It; by Steven Otfinoski (reading level age 9-12)

Websites (for kids and adults):

- www.themint.org
- www.moneyopolis.org
- www.ntrbonline.org
- www.consumerjungle.org
- www.federalreserveeducation.org/fed101/

- www.kids.gov
- www.younginvestor.com