



How to Help Your Kids Become Effective Money Managers

Children become consumers at a very early age. James McNeil, noted authority on young consumers, found the consumer role begins as early as age five, and by the age of nine, children become fairly sophisticated consumers. "All the skills, knowledge, and practices that together we call consumer behaviour are purposefully taught to our children right along with toilet training, toddling and talking. "It is these skills and attitudes about money that these children take with them into adulthood."

"Attitudes about money are formed in the home," says Tom Wunder, MOSAIC Credit Counsellor. "The way we spend money is based on our family value systems. Our parents first influence our attitudes towards money. They are the first role models we see."

With that in mind, it is important for parents to think about how they are going to teach their children to be responsible consumers and money-handlers. Children need to learn about the value and function of money, about managing money, budgeting, setting priorities.

How can parents teach these uses of money? Tom Wunder has some ideas.

Role model.

First of all, be aware that both your spoken and unspoken attitudes about money are learned by your children. Children observe the way that you handle money. Be a good role model.

Communicate.

Anybody affected by the budget should be included in discussions about the family budget. This puts less pressure on the parents to provide items the family just can't afford.

Inform children when the family is having difficulties.

"When putting our clients on an orderly payment of debt plan," says Tom, "we suggest a family meeting. It is very important to include

What About...

Allowances

Allowances are not necessary, but can be a valuable learning tool if parents have enough money in their overall budget plan. However, children shouldn't be paid to make beds. They should be taught that chores are just a contribution to the family.

the kids when your financial situation changes. If the kids don't know what is going on, there is a sense of endless money and no consequences of over-spending. A lot of parents have a tendency to exclude children from the family finances. Children respond better than we expect sometimes. They become aware of what the family can afford and their demands are tailored accordingly."

Develop a personal plan.

Encourage older children to have a personal plan (the budget word scares people). This plan should include any income or savings and expenses such as entertainment, clothes, transportation, lessons, rainy day purchases. They can see where their money goes and how to achieve their financial goals.

Teach your children to be informed consumers.

Kids will learn by watching their parents. If you go shopping with your children and are reading labels and comparing prices, your children will remember this strategy, and will probably do the same thing the next time they go shopping.



Children also will learn by their own mistakes. "My daughter," says Tom, "bought an inexpensive, cheap pair of shoes and they fell apart. She learned that she should have spent a little more money and bought a good quality pair of shoes."

Allowances can be a great learning tool when a child wants to buy something more expensive than Mom or Dad is willing to spend. For example, if your daughter wants a pair of designer jeans, and you're willing to spend X dollars, but the jeans she wants are more expensive, you can negotiate. *I'll put so much towards your jeans, if you save the rest, you can buy them.*

Part-time Jobs

Part-time jobs for teen-agers are great. The more they learn as teens about handling money, the better they handle and respect money in adulthood. However, the part-time job must be within reason and shouldn't interfere with school work.

Financing College

Parents versus children paying for university or college depends on each family's personal ethics. However, children shouldn't have the expectation that parents should pay for their post-secondary education. "I've found that children who contribute to their own education work hard and appreciate the results of their education," says Tom. "They take greater ownership and value their investment in their future. *I'm not going to lose \$2,000 by flunking a year.*"



Parents should pre-plan what they are going to do in terms of their children's education, involve the children in this process and when there is more than one child in the family, take care to make sure all the children are funded equally.

Credit Cards

There is nothing wrong with credit cards – it is the management of them. They have to know

Parents shouldn't be secretive about how they spend their money. It's a good idea to give children choices when spending money on them. Here are some different things we can do. We can either go to dinner and bowling or to the Glow in the dark mini-golf. But we can't afford to do all three. They learn the value of money, that there is a limit and they have to set priorities when spending their money.

Share money management.

Children should see both parents involved in the overall plan of managing the family finances. They should learn that women, whether working in or outside of the home, take an active role in financial goal setting.

Don't attach emotional value to money.

First of all, do not use money as a reward or punishment. Good behaviour and assuming family responsibilities should not be linked to money.



In some situations, such as a family in which the parents are divorced, parents who see the children less often, may buy the children outrageous gifts. Kids catch on quickly that they are being bought and will take these feelings into adulthood.



that money is a commodity – whether credit cards, a loan or cash – it is all still money. If a child is away at University, it can be a security to have in case of an emergency.

Banking

It's a good idea to open an account anytime that money is accumulated. It is a good way to teach children to save and a good way for them to save for bigger purchases.

Grandparents' Privilege

In general, grandparents enjoy spending money on their grandchildren. It's okay for kids to have a bonus. If children develop good values in the home, you won't run into the situation where they expect their grandparents to always be bringing them presents.

Learning in the Schools

Teachers can be a big help in teaching children about finances and managing money. Many elementary schools have projects where kids are running stores and restaurants. They create their own menu, price merchandise, develop advertising. These creative, real-life scenarios help them develop a sense of money management which all can be translated into their personal budgets.

Teaching children about money management will help pave the way for their future. When they leave home and enter the real world of personal finance, their basic understanding and value of money learned in the home will be the fundamental attitudes carried into their new and independent lives.