

Raising a Money Smart Kid



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Raising a money-smart kid...

One of the very important life skills your child needs is how to manage money. As parents, we can play a very important part in developing these skills in our children. The time to begin is when your child starts showing curiosity about money. That can be as early as ages 3 to 5.

Turn shopping trips into lessons on making choices about value and quality. Help your child to identify forms and value of coins. Give him or her a small amount of money to make a purchase. Then you can name the coins received as change together.

Giving allowances

By the ages of 6 to 10 your child might be ready for an allowance. There are two major opinions on how parents should give allowances to their children. (Sometimes a combination of the two works well.)

- Some believe that allowances should not be tied to everyday chores, that chores should be a part of your child's responsibility as a member of the family.
- Others think that it's okay to give an allowance based on chores and good behavior.

Teaching money management

No matter how you determine your child's allowance, it's a great way to teach money-management skills—giving him or her cash and control over how it is spent. However, it doesn't mean that he or she won't need some guidelines on how to manage money. If you are clear up front about what the allowance is expected to cover, your child can learn the value of treating money responsibly. Is the allowance for school lunches, clothing, gifts? Or is it for personal entertainment and treats?

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Teaching the habit of saving

Encourage your children to save up for something they want such as a computer game or a new bicycle. Show them how to budget the money they're given.

Purchasing things that are unhealthy, unsafe or against your family's values is something that you must deal with as a parent. Provide guidance, but leave the decision about how the money will be spent up to your child.

Allowing your child to make mistakes can be a powerful learning experience.

Children should be encouraged to put away 10-20% of their allowance as savings. Keep the savings in a jar or piggy bank. Then take your child to a bank or credit union to open a savings account. Return weekly or monthly to make a deposit. Some financial institutions have special programs for children. Most do not require a minimum amount to keep the account open. Your child will probably need a social security number to open an account.

Teaching the value of money

Help them learn the value of money by letting them pick out cereal at the grocery store to learn how to find best deal. Include children in family discussions about financial matters such as helping you plan a family outing or vacation. Should we pack a lunch or buy one? Should we camp or stay in a motel?

Habits and know-how about money that a child develops growing up can lead to a life of financial security or financial worry. It can mean the difference between an unending scramble to make ends meet and the ability to fulfill goals and dreams. This can be the beginning of your money-smart kid.

