

Teach Children about Money

“Mommy, mommy, buy me this!” Hearing that cry – and bracing for an argument that’s sure to follow – we long for the day our children are grown and earning their own money.

But wait. How do children learn about earning and managing money? Will they learn about it in school? Not likely. Will you teach them about it at home? You could.

Managing money is a critical skill. It influences decisions about schooling, jobs, public assistance, housing, nutrition, recreation, and health care. It can affect self-image, family relationships, marriage, and friends. Ignorance about money can have far-reaching consequences from the teen years to the end of one’s life.

To teach children about managing money, keep in mind their abilities at different ages. Consider the suggestions below.

Early Childhood

- Encourage children to make play money to use in their imaginary play. This helps them understand the role of money in buying things and allows them to pretend choosing what they will buy.
- Involve children in borrowing or renting something they need to return, such as a book from the library or a video from a store. This helps them understand the concept of ownership.
- Let children see you paying bills. Talk about how everyone must pay for housing, utilities, phone service, and other needs.
- Talk about different jobs and earning money. If possible, show children where you work and what you do.
- Avoid paying children to do routine household chores. Cleaning up one’s room and helping wash the dishes are responsibilities that all family members share.
- Avoid linking money to behavior and performance in school. Help children understand that you expect them to participate fully in classroom activities and behave well.
- When you visit a bank or ATM, explain how the bank keeps your money until you need to spend it.
- When you shop, use a list and talk about your choices. Give children choices you can live with: “Would you like the red apples or the green ones?”
- Say no firmly but kindly. Despite your best efforts, children may want everything they see. Don’t give in because you feel guilty or want to indulge them. At the same time, remember how you felt when your parents told you no. “I know you want that toy, but we don’t have money for it today.”
- Watch TV with your children. Talk about the commercials directed at them. Simply discussing TV ads can lessen what children ask for.

Elementary School

At age 5 or 6, children begin developing more math skills in school. They can practice their skills with a little of their own money.

- While shopping, compare prices. Explain that you buy the in-house brand of oatmeal because it’s the same quantity but costs less than the name brand, for example. Let them practice on an item they want.

- For fun, do some window shopping in a catalog or at the mall. “I’d like to have that big TV too, but ours works just fine.” Discuss the difference between needs and wants. Children need to know that parents say no to themselves.
- Consider giving children an allowance. Don’t start giving it until you’re sure you can commit to it every week.
- Encourage children to save. If you give an allowance of \$3, provide it in three one-dollar bills. Suggest that one dollar be set aside in a piggy bank. (Now is also a good time to teach your child the benefits of giving. Maybe one dollar could be given to a charity of his/her choice).
- Give children choices in buying something with their allowance or savings. Specify reasonable limits – no guns or candy, for example. Limit spending to no more than they have, avoiding appeals to “pay you back later.” You want to teach the principle of living within your means.
- Help children keep records of what they spend and save. Provide an envelope or file folder for notes and receipts each month, and transfer all envelopes to a larger one for the year.
- Voice your expectations that your children will go to college and get a good job. Show that you value their education by attending open houses and parent-teacher conferences. Buy them a university T-shirt or ball cap so they begin to identify themselves as college-bound material.

Middle school and beyond

By about age 12, children can learn to draw up a simple budget, earn money by raking leaves or doing other odd jobs, and begin learning about investment by setting up a savings account. At 16, they can get a summer job, set up a checking account, and learn about credit cards and debt.

The goal is to send them off into the world with the ability to live on a budget and avoid going deeply into debt.

Managing money means sharing

Children need to learn that money isn’t an end in itself. It’s simply a tool for getting things done. Consider these ideas:

- Talk about highways and bridges, police and fire protection, and schools. Explain how everyone is expected to share in paying for these services by taxes we give to the government.
- Point out how nonprofit organizations raise money. Explain how buying gift wrap from the local PTA enables them to buy a computer for a school, for example.
- Involve children in sharing with others who are less fortunate. Give canned food or a few dollars to a food bank, for example.
- Look for opportunities for your family to volunteer in a religious or community project. Explain that sharing can mean giving one’s time and skills.
- When giving a present, explain that it’s just one way of sharing and showing love. It’s equally or more important to show love in words and actions.
- Share your gratitude. Take time often to express your thanks for something money can’t buy. “I’m so grateful you’re in my life.”