



Teaching Kids about money

I'm a passionate advocate for financial education which is why I write these blogs. And learning about money should start at a young age.

I don't think there is enough emphasis on this in the school curriculum and so teaching our kids about money is largely up to us.

Our kids need to know that there isn't a money tree at the bottom of the garden – we know because we've looked!

Below are a few tips on how to teach your kids about money.

Cheers

Dawn

Teach your kids the value of money from a young age.

- In everyday life talk about the relative cost of items – for example a holiday versus a car or a week's shopping versus the cost of an iphone (including the monthly fees!).
- And go a step further – how many weeks shopping would it take to buy a car? Point out the cost of items in different stores – for example, what can you get in an expensive retailer versus an opportunity shop? Ask them what they think and open up the discussion.
- Take the kids to second hand markets and garage sales to show them that you can buy goods cheaper than in the retail stores. And at the same time, teach them how to negotiate (another important life skill). It can build self-esteem and confidence.

Explain how you get money.

- We use plastic cards and go to machines in the wall to get money. Kids see it as an endless supply of funds.
- If you work in paid employment, then explain how much you earn an hour or a week and how that might compare to other jobs and what you have to do to earn that money. Talk about how many hours you work to pay your weekly shopping bills.
- Suggest ways that they might earn money (in a safe environment) - walking dogs, selling lemons from the tree to neighbours, washing neighbour cars and when old enough, babysitting, housesitting and /or getting a part time job.
- Let them organise and manage a garage sale or help them sell items online (with supervision, of course). They will learn how selling what they no longer want gives them money for the things that they do want.

Explain where the money goes.

- Explain that it costs money to live in your house, eat at your table and do all the extra curriculum activities in life. I recall how my Dad used to sit me down and bore me stupid by showing me all the bills – I do not recommend this approach! – but it did stop me from continually asking for things.
- Talk about needs – the essential things (food, clothing, somewhere to live) and wants – what makes life fun (holidays, eating out, movies etc). And that needs come first.

Teach kids the basics about debt.

- That you can borrow money but you have to give it back. Debt isn't free. Those credit cards we use all the time need to be paid back.
- And discuss what can happen financially and emotionally when you have too much debt that you can't manage.

Teach kids how to manage money – this might be pocket money or Christmas/birthday money.

- Rather than let them spend all of the money straight away (if they are so inclined), make them wait and think through what they really want. It's about trade-offs and choices. They might decide to wait until the item is on sale or over time, they may change their mind.
- Point out sale signs in shops and how if you wait you might get it cheaper. But also highlight how these signs can be misleading – a sign with “up to 50% off” often displays the “Up to” part in small letters. It's also a great opportunity to show the kids why percentages are worth learning in maths class.
- Give them a fixed amount of spending money for family holidays and let them manage their own budget.
- A friend told me she got her 13 year old son a debit card on his bank account so that he could access his funds to teach him that when the money is gone it's really gone. Great idea!
- Teach them about charity and from a young age, encourage them to put some aside and donate and/or raise funds for those less fortunate.

Teach kids how to save.

- Explain that to be able to save, you need more money coming in than going out.
- Keeping money in the bank keeps it out of their way and makes them think about what they want the money for before they withdraw funds from the bank.
- Incentivise them - If they have a bank account, offer them \$2 for every \$10 they put into the bank.
- I'm a fan of pocket money. I don't think it should be a free hand out every week. In our house, it is earned when the required chores are completed. And cleaning out our chicken coops is never a fun job!
- There is the very valid argument that our kids should do these chores anyway and pocket money will teach them to only do things for money but I think it's an opportunity to introduce teachings around money management at an early age.

If we can teach our children how to manage money well so that they grow up to be adults who can cope on their own, then that's priceless, in my opinion.

Cheers,

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