

The Top 5 Things You Need to Teach Kids About Money

What if there was mandatory financial education for every child in America from kindergarten on up and every adult was required to take an annual test confirming those concepts well into their senior years?

It is a nice fantasy. But in reality, the first money lessons a child gets come from their parents. Experts agree that the way parents teach and reinforce those concepts will have a major impact on their kids avoiding major financial problems later in life.

So, a question for parents: How equipped are *you* to teach your kids about money?

If you do not feel confident about creating a money curriculum for your child, don't worry, there is help. Start by planning your own financial future with a qualified financial planner. You can take a close look at where you need to be with your finances and gather ideas to teach your kids about money as well.

However you personalize the lesson, every parent needs to involve these five basic concepts in a child's money education:

1. Work: The first great lesson is not so much about money as what it takes to *earn* money. As early as kindergarten or first grade, your child is going to have to start paying for things. Children need to understand as early as possible that a good day's work should deliver a good day's pay. So it is a good idea to come up with age-appropriate chores in exchange for an allowance. The best place to start is with simple jobs like setting the table and making beds. For older children, yard work, laundry and housecleaning can be added to the list.

How big should that allowance be? Try to match the allowance closely to the expenses you want your child to cover and leave a little wiggle room for treats. In this way, the child begins to understand choices while learning that spending requires limits. Also offer options that allow children the opportunity to earn additional money for extras – toys or privileges, for instance – then stress why working for treats is important. When children are younger, you should keep a frequent watch over how they are handling their cash – checking in every day or so – and then allow them more leverage as they demonstrate wise decisions.

2. Saving: Once you teach your children about spending, help them identify larger goals they have to save for. Buy a piggy bank – young children relate very well to this tried-and-true symbol of saving. It gives them someplace to put money out of sight so they don't spend it. You should impress upon them that they are free to tap into it only to accomplish a goal that both of you initially discuss. Again, as they make smarter decisions, let them have more responsibility. This lesson should not just be about buying stuff – children need to learn how money can be used for setting and accomplishing goals.

If it makes sense for you, you can also add incentives to save. One idea: Tell your son or daughter that you will give them \$1 for every \$5 or \$10 they put in the bank. It will definitely make them think twice about an impulse purchase.

3. Budgeting: Budgeting is one of the most universally misunderstood money concepts for children and adults. That is why it is so important to make sure a child understands why it is important to write down spending priorities and keep track of whether those priorities are being met. When a child gets a little older, it might be a good idea to help them establish a budget for everyday expenses with an important side goal, such as accumulating spending money for a much-anticipated family vacation. Parents might show children a similar exercise for how they are setting aside money for the trip. Unsure how to set up a budget? PBS Kids offers an [example](#).

For younger kids, it might make sense to turn the budgeting process into a game. Parents might take a stack of fake money, give it to the child and ask what they would spend it on. The child would write down each purpose – toys, school lunches and special things they need to save for – and get them to write down how they would allocate the cash. This can turn into a real exercise later.

4. Delayed gratification: If budgeting and savings are going to work, children need to know they can't spend their money whenever they feel like it. Parents need to lead by example here. If children always see you paying with plastic and bringing home carfuls of shopping bags each week from the mall, they might get a sense that money is limitless. On the other hand, if they see you making lists, tearing out coupons and talking about saving for particular goals over the long term – they might start to mimic that behavior.

5. Helping others: It is important for children to know that there is always someone less fortunate than themselves and it's important to help, even in a small way. Increasingly, kids are involved in charitable and community activities as part of their educational process – such work even figures into college applications. Teaching your children to set aside money for those who have less might be a good first lesson in what should be a lifetime of sharing with others. Also, don't forget that charity is not always about money. Children should also learn the importance of giving their time and labor to important causes and people in need. If they think of unique and effective ideas to help, by all means, praise and encourage that activity.