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Teaching Your Kids About Money

By Stephanie Foster

Children aren't born with an understanding of how money works; all parents learn that one quickly.

A young child sees the things they want or need just appear from Mommy and Daddy. The fact that Mommy or Daddy gave money to the sales clerk means nothing to them. So how do you teach your kids about money?

You have to consider your child's age first. My daughter, for example, is three, going on four. Right now she knows the names of the various coins, but the difference in value between a dollar and a quarter, for example, is completely unclear to her.

To help her learn, we are letting her spend just a little bit of money. We gave her a \$3 budget to buy her baby brother a birthday present a couple months ago. She struggled quite a bit finding presents in her price range and had to settle for something other than what she had wanted to buy for him. Specifically, she wanted to buy a farm for him, but most of those we saw were in the \$20 price range. She finally found a variety of small gifts that fit her budget. She was so delighted to be able to give the cashier the money we had given to her.

Now, obviously this taught her very little about the value of money. She didn't have to earn it, and she really didn't understand why some things cost too much. But it was a very early lesson in sticking to a budget.

You need to decide when you give your children money and why. Some parents prefer to give a regular allowance with no association with getting chores done, etc. Others have a set rate given provided chores are done, while still others have a set rate per chore completed. There's no right or wrong way, but you do need to be clear on when your kids get money. Don't forget to consider ways in which your kids may earn extra money.

Also consider making rules on how allowance may be spent. Many families have their kids put their allowance in multiple containers – one for immediate use, one short term savings, one long term savings, one for charity, or any combination of containers. Saving money is a habit many parents have trouble keeping, but it is a great one to teach your children.

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By the same token, try to avoid teaching your kids to rely too much on credit. Some parents will let their kids borrow money against their next allowance. Now, managing credit well is a vital skill, but it is one best saved for after kids have managed to learn how to save money well, in my opinion. On special family trips it may be appropriate to loan your child some money, but if it something that can easily be bought later it is far better that they learn the value of saving toward a goal.

But there are more ways to teach your kids about money than giving them an allowance. Talk to them about what things cost when you go to the grocery store. Go over what each item costs, and if buying by weight, explain how buying more means you pay more, and that you only want to buy what will actually be used. This is also a good time to teach them about quality, and how to look for the best produce. Children are very proud when they find food that is worth buying and may have a good eye for things once they have been taught what to look out for.

Don't forget to teach them about coupons! Once your child is old enough to not throw them around, he or she may be good at keeping track of your coupons and making sure you remember to use them.

As your kids get older you should help them to build a more realistic picture of what things cost. Have them write the checks out for your bills – or, if you have automatic payments as many people do nowadays, go over your statements from your various bills so that they can see how much everything is really costing you.

Managing money well is a vital life skill and one that children can begin to learn at a very young age. You don't have to have your finances in good order before setting a good example for your child. In fact, teaching good money habits to your child might just help you to take a look at how you are spending your money and help you to improve your habits. This is one habit that your kids will be grateful to have later!

Stephanie Foster's kids many not have mastered money yet, but she loves helping her kids learn about money. You can learn more parenting tactics at

<http://www.homewiththekids.com/family/>

Teaching Your Children About Money Management

By Jude Wright

Teaching your kids about money management helps them develop lifelong money smarts. But, it's difficult to teach your kids about budgeting when you're having money problems yourself.

Your first step in making your children money savvy is to give them a good role model. Teach yourself about personal finance and then demonstrate your good spending habits to your children so they will learn the same habits.

Most children haven't been taught the basics of money management, so it's not surprising that over

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120,000 young adults under the age of 25 filed for bankruptcy in 2003. If kids don't learn solid money skills at home or school, they are on the path of having financial problems throughout their adult life.

How can you help your kids avoid this dismal statistic?

1. Talk about money in your home; don't make it a taboo subject. Discuss any money problems openly and how you can overcome them.
2. Give your kids regular allowances. If they're going to learn how to manage money, they will need to have some. You can give them money as an "allowance" or as payment for household chores. The amount you give your child will depend on his age and maturity level.
3. Teach your child basic skills by using his "income" as an example. Have him list expenses over a month, such as school supplies, clothing, school lunches and treats. It doesn't have to be exact, just a reasonable estimate. Once you have the list, show him the difference between necessary and unnecessary expenses. Finally, help him decide on the best ways to spend – and save – his income.

At what age do you start teaching kids about money? Early. Pre-schoolers can learn about the different coins and, for instance, how many nickels equal a dime, etc.

Play "store" with children aged 5–8 to teach them how to make change. Use real money to buy items you have marked with prices. Also teach them that you don't just take money out of the ATM machine but that you must deposit money into it as well. This is the age to take your child to the bank to open her first savings account.

9–12 year olds can learn different ways to save money, from "shopping" for lower priced items to using coupons to lower the cost. When you see advertisements on television, discuss how the ad tries to influence them in what they buy.

Teenagers between 13–16 can be put in charge of buying the family groceries – with supervision, of course! Give your teen the list of items to buy, an amount of money to spend and have her look for coupons and ads in order to get the best prices.

Youngsters over 17 can get jobs after school and weekends. This will teach them that money must be earned...that they won't automatically "get" money when they're out on their own.

When your teen is ready for a car, help him research the costs of automobile ownership: the cost of the car itself, gas, maintenance and insurance. Then, help him find ways to save for those expenses.

Teaching children about money management throughout their childhood will give them the confidence they need to manage their personal finances when they reach adulthood.

Jude Wright is the author of "Keeping a Budget." Learn the the skills you need to manage your money.

<http://keepingabudget.com>



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