

10 Basic Tips:

Here are some basic things you need to do to teach your kids good money management skills:

1. Do not expect your kids to learn good money management unless you teach it to them.
2. Set a good example by managing your money well. (Need some help on this account? Check out our links of interest to find some web sites with information that can help you get started)
3. Get them in the habit of saving at least 10% of their "take-home" income for the long term.
4. Help your kids create their own budget.
5. Teach kids the difference between "needs" and "wants."
6. Give them an allowance.
7. Help your kids start their own business.
8. Show kids how credit works--and how easily they can get into trouble.
9. Open a bank account for your child.
10. Turn off the television--too many marketing messages and not enough interaction with parents, siblings, friends, etc.

And ten to grow on...

11. Play the stock market game with them (at least on paper).
12. Show your children the beauty of compound interest.
13. Take the kids grocery shopping with you.
14. Have the kids pay the monthly bills for you so they can see how much it costs for necessities.
15. Cut down on your own materialistic tendencies.
16. Teach your children to share with those in need.
17. Don't judge your children's choices when they spend money (except, of course, you should still maintain parental control when appropriate, e.g. you child wants to buy six

pounds of candy or a toy gun or a violent or otherwise explicit video game)

18. Help them decipher media messages. Discuss with them whether or not a product is really as good in real life as it appears on television. Explain to them how companies create a need for their products. Ask them how they feel about how the media portrays people with money.

19. Help your kids make good spending decisions by shopping around with them, asking them (non-judgmentally) whether they will still value the object in a few months, years, etc.

20. Talk to them about financial issues--from college and retirement planning to the stock market and where to get the best deal on any given product--at the dinner table and beyond.

Question of the Month:

Q: How do I teach my child the difference between "needs" and "wants?"

A: I wish there was an easy answer to this one! To complicate matters, the vast majority of adults don't truly understand the difference between a "need" and a "want" either. When I practiced bankruptcy law, I was always dismayed by the number of people showing up for their mandatory hearings carrying cell phones and pagers while they were asking the judge to discharge their debts! My first bit of advice involves your attitude instead of your kids': it is important to remember that values and goals change as we get older. You may not consider a pair of jeans a necessity, whereas your 15 year old feels she cannot live without them. In a few years, her needs will change. Your job is to make sure that she can identify the needs versus the wants at any age.

There are two steps to teaching your children the difference between wants and needs. First, you must discuss it with them and second you must let them practice it for themselves. Start your needs/wants discussion by having your child list three needs and three wants. Then start asking questions: what would happen if you didn't have one of the items on your needs list? Can a want become a need (the answer of course is yes; a cell phone can be a need if your business or personal safety depends upon it)? What is important to her? Give her some examples of family expenditures and ask her to quantify each one as a need or a want. Ask her how she thinks her needs and wants will change as she grows.

Have your child write down every dime that comes into or goes out of her possession for at least two weeks. See if the way she spends her money is in line with what she values. Remember not to interfere with the process of decision making by adding more cash or by insisting on your own agenda. If she must make choices, she will make mistakes, but she will eventually learn how to tell the difference between needs and wants.

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