

You Can Raise “Money-Smart” Children

Parents or others involved in raising children can help these young people develop good judgment in money matters by providing them with opportunities to manage their own money. If you begin teaching them while they are still young, then this behavior should result in healthy spending and saving patterns as adults. The following are some suggestions:

- **Children should have access to money.** Children need some money of their own. The money can come from an allowance. The amount that you choose for the allowance is a personal decision and should be based on what your family’s income is. Even young children should be given small amounts of money to begin learning how to manage money. As children mature, they can get jobs outside the home to earn money and then be responsible for properly managing their earnings.
- **Children need to be given the opportunity to make choices on whether to spend or to save their money.** You might want to consider suggesting that a portion of their money be put into a savings account and then let them decide what to do with the remaining funds.
- **Give them enough independence to be unsuccessful.** Children should experience making a poor decision in spending. By having familiarity with making disappointing purchases with small amounts of money, they will learn this lesson based on their own experiences, not from advice someone may have given them.
- **Have children learn accountability through progressively more difficult activities.** As children mature, they can be given more freedom to choose how they spend their money, as well as increasing the amount that they have to spend. Of course, you must make sure the child is demonstrating responsibility from previous tasks before allowing them exposure to more money and independence.
- **Discuss family finances with your children.** It is important for children to watch as parents and others in the home work toward managing the family finances. They should be aware of how costly it is to raise a family while making ends meet. By making children aware of the family’s finances, they will learn the value of money and hopefully will pass this knowledge on to future generations.

Teaching Children About Saving

- **Saving for short and long-term.** Explain the difference between planned saving (short-term) for a specific want or need and regular saving (long-term) for unknown items or emergencies. Help children set up short-term saving goals and let them know how long it will take to save a particular amount.
- **Be creative in your teaching methods.** Come up with ideas for non-monetary rewards to encourage younger children to save. It is hard for a ten-year-old to appreciate the little interest his \$100.00 earned this month in the college fund when he/she couldn't buy a special toy or game. Older children can learn to appreciate the reward of delayed gratification. Praise and encouragement help children learn to save for the long-term.
- **Motivate children to save.** Consider annually matching the amount the child saves. Knowing there is a matched amount for them demonstrates just how rewarding saving can be.

Try taking these suggestions and put them into practice. By doing so, you may see positive results and have “Money Smart” children as a result.

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