



The elements of success

Teaching kids about money

As a parent, it's your responsibility to teach your children about the world, including how to manage money. Financial literacy is one of the most important lessons you can impart on your children to make them successful in adulthood. Raise fiscally responsible children by teaching them the right lessons for their developmental level. Teach them the basics from a young age, and build on them as your children grow up.

Young children (2-7 years old)

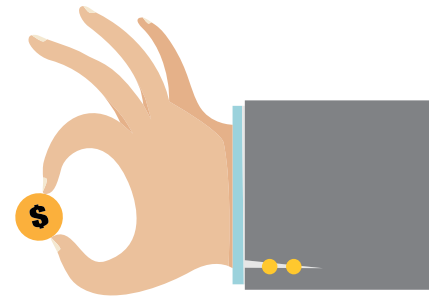
You can decide how early to begin teaching your child about money. Some experts suggest beginning as soon as a child shows an interest in money or starts asking for things at the store. You and your child should work through these educational goals during this period in the following ways:

Recognizing money: Your child needs to be able to identify different coins and bills and differentiate between the value of each.

Making correct change: Teach your child how to add and subtract money using bills and coins (real or pretend).

Saving for a goal: If your child gets an allowance, help him or her stash some or all of it away in a piggy bank with a specific purchase goal in mind. It might be helpful to tape a photo of the desired purchase near the piggy bank. Keep in mind that young children are most successful with concrete goals that can be reached quickly. For instance, help your child save money for two weeks in order to buy a new toy.

Young children learn by modeling their parents' behavior, so take any opportunity you can to show your child your own responsible money use — point out the cheapest options at the grocery store or tell your child about your savings goals. Young children also learn by playing games, so turn financial literacy into a game to keep your child engaged. You can turn your living room into a store and trade pretend money for items, have the child clip coupons with you or practice identifying coins together.



Elementary age children (8-12 years old)

Older children have more experience with math and a bigger capacity for understanding how money works. They're also bombarded with commercials and peer pressure to buy various items. Now is the perfect time to teach your child where money comes from, how to earn it and how to manage it.

Banking: Open a bank account for your child and make regular trips to the bank together to deposit money for savings. As an incentive for savings, you may consider matching your child's savings contribution.

Interest: Now that your child has a bank account, you can teach him or her about earning interest by going over bank statements together. Teach your child about compound interest vs. simple interest and introduce the idea of credit — owing interest.

Budgeting: Teach your child the difference between needs and wants, and help him or her allocate allowance money among savings for a goal, long-term savings in the bank, spending money and charitable contributions. This is also a good time to talk about delayed gratification and making trade-offs.

Smart shopping: Children need to know about comparison shopping, unit prices, coupons, generic goods and how value is tied to price. Have your child help you decide between comparable products at the store based on quality and price.

Providing a weekly or monthly allowance is a great way to help children practice these new skills — just make sure they know what they are expected to pay for and how much is going to the bank. Make sure your children want to budget and save money on their own so they'll continue the practice when you're no longer controlling their cash flow.

Teenagers (13-19 years old)

By the time a child becomes a teenager, he or she is ready to learn about the more complex aspects of finances. Prepare your teenager for adulthood with some final lessons on how money works.

Checking Account: Make sure your teen has his or her own checking account before college. Teens should be able to write checks, balance a checkbook and avoid overdrawing.

Getting a job: The best way for a teenager to learn the value of a dollar is to earn money from a job. Your child may practice job-related skills such as interviewing and getting along with co-workers, and they'll have a better idea of what their money is worth when they earn it themselves. You might want to increase the expenses your child is expected to cover once he or she has a job—such as car insurance, school lunches or field trips—to help him or her practice budgeting.

Taxes: Teens usually get their first experience with income taxes when they get their first job. Help your child file a tax return for the first time, and use the experience as a chance to educate about taxes.

Investing: Your child might be disenchanted by the low interest accruing on his or her savings account. This provides a great opportunity to talk about investing together. You can open an investment account for your child — start simple with a money market account, CD or savings bonds. Teach your child about the stock market and introduce the concept of diversification.

Credit: Consider getting your teen a credit card and supervising its use. You can opt for a very low credit limit to start, or even create an account in your name with your child as an authorized user. This way, the teen will get to practice using a credit card and paying off the balance, but you can monitor the spending and payment activity. Teach your teen about the risks of financial ruin from credit debt by examining interest tables.

If you're responsible with your own money and model that behavior to your children from an early age, they will most likely follow suit. Keeping the lines of communication and education open is the key to ensuring that your children grow up financially literate.



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