



**Raising A
Money Smart Kid**

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When was the last time you talked with your kids about money? Was it a pleasant conversation? Please complete this little survey with me

Read Talking With Kids About Money as they complete the survey.

What do you talk about the most? The least?

How are you doing with finding time to talk?

Look at topics for talk challenge in themint.org

http://themint.org/pdf/activity_Topics_For_Talk_Challenge.pdf

Review How To Raise a Money Smart Child from JumpStart.org for family activities

<http://www.jumpstart.org/assets/files/MoneySmart%20Child.pdf>

What Research Tells Us

- Students knew more about income & spending than about money management & saving
- The 2008 JumpStart financial literacy survey of high school seniors found
 - Students answered 48.3% of questions correctly
 - 73% failed



<http://www.jumpstart.org/survey.html>

Extension looks at research and help us understand how it can relate to our lives. Recent surveys tell us that seniors in high school are going out into the world less than prepared to be financially successful.

Per the report the average score was 48.3% out of 100% - lowest recorded. Jumpstart Coalition task force members hoped average score of 58.3% back in 1997-1998 survey would increase to at least 60% or a passing score. Instead scores fell by 10 percentage points in 10 years. This demonstrates the need for youth to be more educated on financial literacy.

Example Questions that High Schoolers did poorly on include #8, 11, 19, 25, 31



Poll Question #1

Where do youth get most of their financial information?

1. Teachers
2. Media (Celebrities, Magazines, TV etc.)
3. Friends
4. Parents

What Research Tells Us



- Parents are the main source of financial education (67%)*
- 94% of students ages 16-22 say they are likely to turn to their parents as a source of financial information**
- Only 26% of 13- to 21-year-olds report that parents actively taught them how to manage money. **

*2010 themint.org poll (Unscientific Poll) **2001 Youth and Money Survey

In the non scientific poll from themint.org parents were the main source of financial education (67%).

Second was TV, magazines, books, celebrities (16%), 3rd was Friends (13%) and 4th was Teachers (2%) Accessed from <http://themint.org/polls/index.php?id=26>

Unfortunately, it's hit and miss in Florida whether your child will learn about personal financial management in school. Although some standards exist, there is no requirement for a full course on managing personal money. And it's not surprising that they are better at spending than saving.

We are our kids first and most important teachers, whether we realize it or not. We can model good and bad behaviors about money. What would your kids say?

Parents can:

- Create daily conversations about money
- Review the financial habits and attitudes we model for our kids



As parents, we must move in two directions.

Every day, we need to create conversations about money – not lectures, but casual commentaries on situations that arise naturally in our days. The aim? To teach children a) how to think about money and b) make responsible decisions in using it.

We must review our own financial habits so that we are modeling responsible financial behavior. Children quietly observe adults, and parents are "modeling" financial behavior all the time – whether or not we mean to.

from themint.org



Money Habitudes

- Habitudes (habits and attitudes) have more effect on money behaviors than knowledge
 - Acquired through modeling by those around us in childhood
 - Through experiences in youth and young adulthood
- Balance is important

Syble Solomon, www.moneyhabitudes.com

We have all heard stories about people who win or inherit large sums of money and are penniless in a few years. Having money does not mean we know how to shepherd it.

Money helps me...

- *Achieve my goals*
 - **Targeted Goal**
- *Feel safe and secure*
 - **Security**
- *Feel good by giving to others*
 - **Selfless**
- *Let life happen*
 - **Free Spirit**
- *Create a positive image*
 - **Status**
- *Enjoy the moment*
 - **Spontaneous**



Determine your dominant style. Has your child developed a style yet? Each style has advantages and disadvantages. These styles also manifest in other parts of their lives – career and relationships. Those with Targeted Goal and Security tend to develop the most wealth. These folks have developed many of the skills we will talk about today. Moderating Spontaneous, Free Spirit, and Status with some of these habits and attitudes of Security and Targeted Goal may vaccinate our kids from credit and debt problems.

Concepts to Teach / Model

■ Ages 2-4

- Money is a medium of exchange
- Coins and bills
- Needs and wants
- Counting & math skills developing
- Storybooks with money themes
- Resist the urge to splurge on them



We can help ourselves learn good money management practices at the same time we are trying to teach our kids. At the pre-school age, give experience that teach.....

What are some examples of how to do this?

From www.themint.org –age 2-6

Resist the urge to splurge Many parents, grandparents, and families want their little ones to have the best of everything. They shower the child with "things." For adults, it's a way to celebrate a new child in the family. But for children, these gifts create a sense of abundance. Instead of one or two treasured stuffed animals, the child has a collection. These gifts are setting "abundance" as a norm, and with these gifts come an expectation that more is better. It's a dangerous message that children will wrestle with all of their lives. Children who are content w/o material trappings will live simpler lives, less tempted by unnecessary spending and consumerism.

Say no and stick to it What begins as showering children with unasked-for gifts can quickly turn into child-initiated requests. The world is full of colorful toys, and children can develop a bad case of the "gimmees." Asking for more, kids may use every tool at hand, from coy cuteness, to whining, to tantrums. Adults have to teach children early on that they cannot have everything they want. Think of the implications of this lesson on credit card use and debt.

Wants vs. needs Teach your child the difference between wants and needs. Kids may "want" many things, but "need" far less. Discerning between needs and wants will help children sort through the advertising messages that will bombard them. Evaluating needs and wants – on helps adults control expenses. Money that would be otherwise spent on "wants" can be put to work in long-term savings, investments, or retirement. These are values that secure a future.

Cognitive math abilities for parents to encourage: Children understand order 5 is more than 4 and 4 more than 3. By age 3 can count. Age 3.5-4 can count 1-10. Know that last number in counting is the quantity of items. Use singles or pennies for counting. At 4 understand subtraction cancels out addition $5+2=7$ $7-2=5$.

Parents who provide more opportunities for counting and talking about numbers help children develop math skills sooner – math skills developed in early years predict math performance in later

years (elementary, middle and high school) (Ginsburg, Lee & Boyd 2008, Klibanoff et al 2006, Geary et al, 2006a, Dowker, 2003, Sarnecka & Gelman, 2004) Good books to teach children about money from Amazon <http://www.amazon.com/Books-Teach-Children-About-Money/lm/RM5SZ3F1COQV7> Bunny Money by Rosemary Wells is really popular with children

3 to 4 Banks



Spend



Save



Share



Invest

Build a four-bank system

When your child reaches age 5 or 6, begin teaching that money can be used in four ways: spending, saving, investing, and giving. [Build a bank](#) shows children that money is used for more than spending. In fact, you may insist that any allowance is split among four categories - the basics of asset allocation. Children should learn this lesson at an early age and build on it as they grow. It forms a solid platform for managing money.

It's a lesson that will shape your child's attitude toward using money from allowances through paychecks.

Remember, saving needs to be in relation to how far into the future they can see. Very short-term for little ones. Maybe you will want to assign a percentage to each bank. For instance, 10% sharing, 10% saving, 10% investing, 70% spending.



Poll Question #2

What do you feel is the best option for parents to provide children with money?

1. Whenever they ask for it or "need" it
2. Set an allowance
3. Pay children per task completed around the house
4. No allowance, provide for basic needs and they can earn money outside the home

Concepts to Teach / Model

■ Ages 5-7

- Begin handling money with an allowance
- Goal setting - how long it takes to save
- Earning interest (from you)
- Smart shopping
- Different forms of money
- Multiplication and saving



When they enter school, think about an allowance as a way to teach money management. You learn more if you actually have to manage some. Goals for this age must be very short-term and concrete. If they save some in a can or jar, play the banker and give them a few extra pennies each week in interest. Take turns taking kids to the grocery with you when you can actually explain how you shop. Do they notice that you use cash, checks, credit cards?

A practical way to learn multiplication. Can calculate monthly income if receive weekly allowance – if 4 or 5 “paydays” in a month. And learn how long it takes to save up for a desired discretionary item to purchase.

Teach smart shopping

When your child is old enough to understand that money works in stores, start to show your child how to stretch a dollar. When you buy, be a smart shopper, and talk about the steps you take to save money. For example, if you buy an item on sale, put the coins that equal the full purchase price on the kitchen table and then take away a number of coins to show how many coins you saved. Next show what you could buy with the savings - or by adding just a few more coins. Gradually teach your child to follow your lead. It's an important life lesson, and your child will thank you for it later.

Note: To benefit from this coin demonstration, your child doesn't need to know how to add or subtract, he or she will get the concept simply by seeing that some coins have been saved and can now be used for another purpose.

Right on the Money: Talking Dollars and Sense with Parents and Kids

This four-session curriculum guide uses children's books to introduce kids ages 5 to 7 to financial concepts on earning, spending, saving and borrowing money. The guide also provides lessons for their parents on the same topics. Parents' lessons include tips and tools to influence, positively, their children's money skills, knowledge and attitudes. A detailed implementation guide is included for educators and volunteers to implement the program.

Allowances

- Kids need to **HAVE** money to learn how to **USE** it
- **BUT** – they need a **STRUCTURE** to learn money management
 - Be consistent w/amount & distribution time
 - Find a safe place to store money



You get your paycheck regularly, so allowance should be predictable. Is it safe in their room or do you need to find another place?

Allowances – Set Amount



- By Age
 - Arbitrary
 - May not match what they need to purchase
- Behavior-based
 - Sets up conflicts
 - Might backfire - "how much will you pay me?"
- Needs-based
 - Teaches realistic money management skills
 - With chances to "earn" through special tasks

Some feel that the family's money is to be shared. Do you have enough to share some with your kids and allow them to use it under the structure we will be discussing? Do you use money to control behavior or as a teaching tool?

Discuss ways to set amount

Allowances – Set Amount



Non-discretionary items	Cost	Who Pays
School Lunches		
Clothes		
Transportation		
Toiletries		

For needs based, we need to think about having them responsible for needs rather than just wants. Decide which needs they will be responsible for. Will vary by age and maturity.

Allowances – Set Amount



Discretionary Items	Cost	Who Pays
Toys		
Movies and Videos		
Games		
Hobbies		
Music		
Gifts		
Donations		
Snacks		

They will be used to paying for these things. What will you allot for them to take care of these items?

What structure will you have for use of their income and monetary gifts?

What should they do with earning power at different ages?

If monetary gifts from grandparents – are gifts all for spending or discretionary income

Allowances – An Example



- \$17 for a 10 year-old
 - \$10 for lunches (\$2 each)
 - \$7 for discretionary items
 - Buy
 - Save
 - Donate
- Earning possibilities
 - Prepare Friday evening meal

Here is an example. It includes the possibility of a special task. They have the choice to do this. In this case, it is not a part of the regular chores that that this child is expected to do just because she is a part of the family.

Concepts to Teach / Model

■ Ages 8-10



- Discuss the family budget
- Needs and wants
- Learning to wait
- Choices and trade-offs
- Start a savings account
- Addition & Subtraction with larger numbers & decimals
- Earning power

Do needs/wants activity – write down 5 things you purchased in the last month. Discuss items they share and decide if it's a need or a want. You can do this with your kids.

Do they realize how much it costs to run the TV, stereo, etc. because they see an actual bill?

If you have an allowance system – don't dole out money when they run out. They just have to wait.

Do you verbalize having to wait to buy things you would like to have?

Now is a good time to open a savings account if they have money from allowances, gifts, earnings.

Discuss: What jobs would you feel comfortable allowing them to have at home or in the neighborhood?

From Age 8-9 learn math with larger numbers with decimals. Give dollars and cents. Learn addition and subtraction with larger numbers with 4 or more digits plus learn decimal system. Also with savings accounts learn to calculate interest and use decimals based on percentages.

From mint.org for 7-13

Money and work

Children should be assigned everyday chores: like clearing the dinner table and taking out the garbage. Such small chores help run the household, and therefore should not normally be considered paid work.

However, you should pay for larger projects, like reorganizing the garage or weeding the garden or waxing the car. Paying for larger "jobs" teaches your child about taking initiative and earning. You may find that when your child needs money, he or she will come to you looking for work, rather than a handout. Such action is the beginning of a work ethic. You are helping kids make the connection between work and earning.

Money is limited

Bad habits are tough to break. Let life teach financial lessons. Don't give in when your child has run out of money and wants an "advance" or a "loan" to buy a shirt or go out with friends. If you fork over the money, you encourage overspending and spoil the financial lesson your child has created for him/herself.

Unhappy consequences are great teachers, and a child's sense of deprivation lingers, reminding kids to keep money on hand for the unexpected. Let a night at home or foregoing the shirt teach the lesson, not you.

Put earnings to work

Depending on your child's age, encourage doing odd jobs for friends and neighbors or taking on a part-time summer job. Your youngster will enjoy using part of the earnings to buy something on his or her wish list. Promote putting part of the earnings in short-term savings as well as in a CD or other investment. It's important to teach children to save for the future as well as live in the moment. It's a habit that will serve them all their lives. Start early by building a [four-bank system](#).

Try a 401(kids) account

"Matching" programs modeled after employee-benefits programs offer strong incentives for saving. Consider matching every dollar your child puts in savings. His or her balance will grow faster, adding to the thrill, and your contributions will emphasize the importance of saving.

Later, if your child is fortunate enough to work for an employer who offers a matching program, your child will understand the value of taking full advantage of this opportunity to grow savings. Huge numbers of employees these days miss out on this "free" money because they spend their salary rather than put money away for the future.

Money's for more than spending

Too many kids regard an allowance as a sum of money that they can just spend on fun things: pizza, movies, video games, entertainments of all kinds. When they have spent their allowance, they wait for the next pay day. In adult parlance, kids are treating allowances as 100% discretionary income. They won't be able to use their paychecks like that. Children must learn

that they can do more with money than spend it.
The idea of an allowance is to learn how to use money.



Chat question

- Which household jobs might you pay your child for?

Allowances

- Do not revert to the “dole system”
- Increase both the allowance and the non-discretionary items they take over as they prove they can handle the responsibility



If you revert to the dole system, what are you teaching inadvertently? Someone will bail you out. You can't be trusted to manage your money.

If they ask for money, say “yes, how much do you have in your bank for that?”



Kid's Wealth – uses 5 wallets for Plan, Learn, fun, angel, wealth – www.kidswealth.com
From site:

Principles of Savings

Since consistency is the key to teaching children valuable lessons, the Kids Wealth Money Kit™ includes a core set of principles throughout the program. The result is that kids come to appreciate their allowance since they are in control of their financial destiny. Starting at the beginning of each month, children make their own money allocation decisions to their “Wallets” with your guidance. The program is designed to help children prioritize their allowance, and to track the progress of their savings over time in less than 15 minutes a month.

Invest in Kids Wealth™ now and your children will be able to:

Start making better financial decisions

Develop a great appreciation for allowance

Extend their understanding of savings beyond just money and chores

Develop respect for patience, savings and hard work

Begin to cherish their first piggy bank as it grows through virtual Kids Wealth wallet accounts

Thousands of families have discovered [success](#) from Kids Wealth and now your family can too!

Responsible Children: From Wanting To Earning

As busy parents, you understand the challenge in saying “no” to a beloved child. With Kids Wealth, you can empower your children to make their own decisions (and be accountable for their own actions.) When children are spending money, you can remind them about their allowances, ensuring they are responsible for their own savings decisions.

Concepts to Teach / Model

■ Ages 11-13

- Keeping up with peers
- Magic of compound interest
- Pace spending - increase allowance to bi-weekly or monthly
- Basic investment principles



This is peer pressure time. How do you react to adult peer pressure? What are you modeling? How do you help them sort this out for themselves?

Continue with wants v. needs

If you have savings or an investment, let them see an account statement and discuss interest and earnings. Or, go on line to a calculator and have them run some simulations. If uncertain of your own knowledge, learn together.

More like adult receiving a paycheck to pay youth a biweekly allowance (line it up with your payday for your own budget)

If they have had an allowance for a while, increase the time span to 2 weeks. Can they manage over a longer period of time?

Curb the desire to spend

Impressionable and vulnerable, targeted by advertisers and under peer pressure, teens have a tough time. Companies touting snack foods, clothing, movies, video games, and computers will be positioning their product as a "must-have." Counter these messages by continuing the lessons you started early and have been reinforcing since your child was very young.



Chat question

- Which jobs outside the home are appropriate - at what age?

Concepts to Teach / Model

■ Ages 14-18



- Catch up with goal setting, saving, budgets
- Earning a paycheck
- Managing a checking account
- Learn to use "plastic" – debit card vs. credit vs. prepaid
- College scholarships, grants, loans
- Insurance

Sometimes, we miss out teaching in the early years and suddenly realize when they are teens that they need info on goals, saving, budgets. Catch up, if you need to. First job – sit down and go over the paycheck. They may even come to you and ask "Who is FICA?" Great teachable moment! Many banks and credit unions will open teen accounts. Take a class on how to manage. Monitor their use of account. Better to make little mistakes now than big ones when they are off on their own. Car insurance premium usually comes up at this time, too. How are you going to handle that expense? From themint.org for 14-18

Credit and consuming Using credit cards is a lesson best learned at home, where you can guide your teen and help the young person through mistakes. To begin, explain the pros and cons of credit. Most teens don't know that it's borrowing. Credit is convenient and can be a wise way to finance purchases. But warn your teen about the costly dangers of debt. Together, read a credit-card statement, and show your teen how many small purchases can add up over a month. Point out interest rates (and their totals) as well as penalties for late payments.

You can introduce your teen to using credit with a low-limit joint credit card: you cosign for a card in your teen's name. You cap the amount to match the portion of allowance that you and your teen have agreed to. Your teen is totally responsible for the bills – which must be paid IN FULL each month. This is the crux of the exercise. Review monthly statements with your child. Do NOT help your child out of debt. If your teen overspends one month, he loses spending privileges until the debt is paid in full.

You can also tie a credit card to a teen's saving account, which means the limit on the card equals the amount in the savings account. The risk and consequences of overspending is serious in this arrangement. Kids can not only wipe out their savings early, once savings are gone, the teen no longer has a card to practice with.

Debit cards Investigate the world of "stored-value" debit cards. Not linked to bank accounts, these cards are pre-paid or pre-loaded with a fixed amount. When the card is "empty" the spending is over. A teen can load the card with a portion of allowance based on an agreement with parents. Some cards offer parental controls to block certain kinds of merchants. Both parents and kids can monitor expenditures online, so parents know how the card is being used. These cards charge fees, but they are a way to introduce your child to the swipe-and-spend world of purchases. It's a lesson better learned at home in small amounts than on the college campus or the work world, where the consequences can be more serious.

Checkbooks *What do teens need with a checkbook?* To learn to deal responsibly with money and to learn that it is not a limitless resource. Who taught you to write checks and balance a check register - or did you figure it out all on your own? For help teaching your teen these lessons, see [Writing A Check](#) and [Using a Check Register](#), both in the Tracking section under the Fun for Kids tab. Help teens get used to writing checks and keeping track of the money in their checking accounts while at home. If you go over bank statements with teens, they can benefit from your experience and guidance. If teens bounce a few checks at home, they may learn their lesson before they leave the nest and get into real trouble.

Save for college This is a time when teens should focus on saving. College expenses are right around the corner. Your child should contribute a part of his earnings, even if it's only to accumulate spending money while at college.

Look into college scholarship/grants Help your teen identify some of the opportunities for funding college. From academic to athletic scholarships to grants and loans, hundreds of programs are available, but high schoolers have to apply and qualify. Freshman year is the time to start planning to qualify.

Rewards of being financially fit Yes, remaining financially disciplined is difficult for a teen. But don't forget to show your child that money in savings can buy enjoyment – talk about how parents' savings can buy a special prom dress or a yearly family vacation. Explain that these treats are the rewards of leading a financially fit life.

Lead by example Continue to model good spending habits for your child. Pay cash for items or "save up" before you buy. Invite your child to help you research large purchases, compare brands, features, and prices.

Teens and financial troubles If your teen is broke and suffering because of it, the discomfort will eventually teach him or her to spend more wisely. Don't let your teen dip into savings or investments to cover the shortfall. Don't "cave in" and advance or lend money: bailing out your child destroys the lesson that the child has created for him/herself.



High Tech Options for Parents & Teens

- Accounts with debit cards that parents and teens manage together
 - Encourage beginnings of financial independence
- Alternatives to check writing (less common among younger generations)
- Text messaging
- Educational websites for youth



Teens and Jobs

- Continue allowance with understanding that teen will take responsibility for more day-to-day financial responsibilities
- Prime time to set up a personal budget



What happens with older teens? Do you stop the allowance when they get a job? One thought is to continue so that the incentive to get a job is not taken away. But they need to pay for more needs. Here's a budget sheet you might use with them – handout

Keep work in perspective

Teens who have too many desires as consumers will sacrifice time spent learning for time spent working instead. Educators recommend that high school students work on weekends and during summers. During the school year, teens need time to be students, not employees. Often students avoid less demanding college prep courses, instead, they take "easier" courses to lessen the demand that school puts on their work time. It's a big mistake that costs them in college.

Teens and Jobs



- Protect teens from “premature affluence”
- Watch for warning signs of slipping grades, stress, isolation from family
- Prime time for saving and investing

Premature affluence – all I have to do is pay for things I want – the fluff.

There’s lots of powerful marketing techniques to

Can they actually hold a job without hurting their “real job” – going to school.
Remember, you are still the adult parent.

Saving for longer term goals is possible now.

When's A Good Time to Talk?

- Mealtime
- In the car
- During quiet activities
- Watching TV
- Shopping together
- Paying bills



Which of these works for you?

Do role-plays of talking with kids.

Look at Daily Opportunity Challenge on themint.org

http://themint.org/pdf/activity_Daily_Opportunity_Challenge.pdf



In Summary



- You are your kid's first and most important teacher
- Take some time to talk about and consciously model good money habits
- Introduce topics when age-appropriate
- An allowance can help kids learn to manage money

Review



Raising A Money Smart Kid

- National Endowment for Financial Education
www.nefe.com
- www.practicalmoneyskills.com
- www.themint.org
- www.jumpstart.org
- www.choosetosave.org
- www.kidswealth.com
- www.moneyhabitudes.com

How do you feel about today's topic? Please complete the survey.