

# Children and Money

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Children can handle money much earlier than many parents realize. Even at the preschool level, children can learn concepts such as “value of money,” “price,” and “purchasing.” In fact, research shows that children already have knowledge and attitudes about their consumer role before entering the classroom. Parents are often the most important people involved in how children learn about money. Children learn about money not only through intentional teaching, but also through positive reinforcement and by watching their parents spend, save, and manage their money.

Teaching children about money can be done by letting children handle money at an early age and talking about how money is earned, used, and saved. It is important to create experiences about borrowing and sharing as well. Sharing involves giving to those less fortunate than ourselves. Sharing also includes the concepts of obligations (like taxes) and the fact that there is a cost to loans (interest).

There are many ways besides allowances for parents to provide learning experiences about money. An example might be that children can make crafts to sell for spending money. A trip to the library and then returning the books can teach children the idea of borrowing and saving money. Parents teach their children money concepts every day without even realizing it.

When teaching children about money, parents need to make an effort to think in children’s terms, not in adult terms. For instance, a young child may ask his parents how much money they make, but what he really wants to know is why he can’t have a certain toy or why parents cannot go to school functions in the day. It is important for parents to use examples or activities that match the child’s stage of development, not necessarily the age in years.

By including children in family financial decisions and discussions appropriate for their ages, parents have an opportunity to teach children how the money world works and what thoughts and feelings go into making money decisions.

## Guidelines for Parents:

1. Children want to know how things work and how to function in the adult world. Give your child experiences that teach financial responsibility. However, be patient; it takes children time to learn to manage money and develop responsibility.
2. There are two views about allowances; one is a payment for work approach and the other is based on the belief that a child is entitled to a share of the family income. If you decide to give an allowance, be consistent with how you give it. Include children in evaluating how they use it.
3. Teaching children about money has aspects of earning, spending, saving, borrowing, and sharing. Give your children experiences in all five of these areas as they grow.
4. Guide and advise your children’s money decisions rather than direct and dictate. Encourage and praise rather than criticize and reprimand.
5. Be consistent for individual children. You may not be able to be consistent *between* children because of the differences in age and levels of development. Avoid comparing siblings.
6. Frame financial experiences based on the *developmental* age of your child, not the chronological age. Set limits, make rules, be consistent yet flexible when necessary.
7. Let children make some mistakes and experiences the consequences when they are young. Protecting them completely can lead to financial problems as adults. Doing this may be harder on you than your children.
8. Remember that feelings, values, attitudes, and beliefs are attached to money. Help your child interpret his or hers. Be sure to share that you, as a parent, cannot have everything you want either.
9. Money is not generally effective as a reward or punishment. By doing this, children learn to put a monetary value on character and achievement. Refrain from paying children for good grades, too.

## Teaching Children Money Habits for Life How Are You Doing?

Here are some questions that may help you evaluate what you are or are not doing to teach your children good money habits for life. The stage of development of your child will determine how involved you get with each topic.	Yes	No	Some times	I would like to do this
Do each of my children have some money to manage without my interference?				
Do each of my children have a savings account?				
Have I helped my children set up a spending and savings plan?				
Do I avoid using money as a reward or punishment?				
Do I give my children more financial responsibilities as they get older?				
Am I a good money manager, giving my children a good example to follow?				
Do I allow my children to make their own decisions about money when there are choices?				
Do I praise my children if they have made wise decisions with their money?				
Do I allow my children to find ways to earn extra money that is age appropriate and suits their abilities and skills?				
Do I sometimes verbalize my own desire to buy something that my income can't handle so that my children know I say "no" to myself, too?				
Do I talk about how much the costs of rent, electricity and telephone service are so my children can understand the "unseen" costs of maintaining a family?				
Have I let my children sit down with me when I pay bills and explain what each check is for?				
Have I talked about how we can all reduce costs around the house such as eliminating long-distance phone calls and cable TV, and using less electricity?				
Do I have a monthly budget and have I talked about it with my children?				
Do I encourage my children to earn money for special things they want and not just ask for handouts?				
Do I take my children to the grocery store with me and teach them to compare prices and use coupons?				
Do I play money games (such as Monopoly or Payday) with my children?				
Do I allow my young children to handle money, teach them the value of each coin, and how to count change?				
Have I talked to my children about the differences between <u>wants</u> and <u>needs</u> ?				
Do I make an effort to help my child understand that his math homework is teaching him skills he will use everyday of his life, particularly with money management?				
Have I talked to my child about the interest costs when borrowing money and using credit cards?				