

Helping Your Child Become A Good Money Manager

Researchers know that strong families feel “in control” of their finances. Some very rich families feel “out of control,” and some very poor families have this vital feeling of being “in control.” Help your children learn how to be “in control” of their spending.

Children learn about and use money continuously. How children use money will affect how they live and how they feel about life. It will affect how stable and secure they feel throughout their lives.

You are a role model for your child.

- Let your children see you managing your family income and keeping financial records.
- Try to guide and supervise your children’s spending, rather than dictating to them how to spend their money.
 - Be clear about money and spending rules. What items are OK to buy and which are not?
 - Help them think through their choices.
 - Allow them to learn from small mistakes.
 - Praise them when they make good money decisions.
- Do not use money as a reward or punishment — nor to pay for regular family chores.



It's OK to talk to your kids about money.

Many of us grew up in homes where money was not discussed. We did not know our family’s budgets, or even what our parents earned. We may have been taught that it is “not polite” to talk about money — or that desiring money is wrong. It is important to talk with your children about money, so that they can learn about the value of money and how to manage it well.

Children of different age groups learn in different ways.

PRESCHOOLERS can learn:

- To choose between two or three items.
- To shop with a parent and pay for one item.
- That family members work to pay for food, clothes, etc.
- To share money with a friend; contribute to church or other organizations.
- To do routine family chores without pay.

SCHOOL-AGE children can do the above, plus:

- Manage an allowance, if one is given.
- Be taught to handle money (figuring out what change is due, etc.) when buying things.
- Learn to make good decisions about their spending.

Parents can help PRETEENS by:

- Providing an allowance to meet actual needs, plus a little extra for personal use, to share, and to save.
- Involving them in decisions regarding their allowances.

Parents can encourage TEENS to:

- Earn and save for long-range goals important to them.
- Better understand how and why the family income is used in different amounts for spending, borrowing, saving, investing, and sharing.
- Learn about the purposes, services, and charges of banks, credit unions, loan companies, etc.

An Allowance

Some parents choose to give their child an allowance and others do not. An allowance can be helpful in teaching children to manage money but is not the only way this can be done.

If you choose to give an allowance:

1. Decide the purpose of the money. Will it be for extras such as snacks, toys, entertainment — or for necessities such as lunch money or bus money?
2. Decide what you can afford to give as an allowance. Be sure once you make a commitment to an allowance, it is something you can give on a regular basis. This may mean setting it at less than a dollar a week. The amount is not important. What is important is giving your child a sense of money and how to spend it wisely.
3. Be clear on your rules regarding the spending of the allowance. Can your child spend it on anything? Must he save a portion of it? Are there some things that would never be OK for him to buy?
4. Don't give "extra" money for those things that have been reserved for allowance. Don't buy them a snack at the store because they have already spent all of their allowance.

If you do not give an allowance, use other opportunities to teach your children about money. When you take them shopping tell them how much they have to spend and make them stick to that amount. Make them aware of how much things cost and help them make good choices.

Experiences With Spending

You can help your children learn that most people don't have enough money to buy everything they want. As you present this idea, be honest about why you don't buy certain things. Help your children understand the difference between not having enough money and saving for something you think is more important.

You may guide your child's spending, but try not to direct it. It may be helpful to point out their mistakes, but don't dwell on them. Choosing between items is essential to their learning.



Allow your child to make some mistakes — remember, “no pain, no gain.”

In this case, the pain is sometimes greater for you than for your child, but keep reminding yourself that learning the hard way is sometimes the best teacher.

Don't assume children know what things should or do cost.

When buying items for your child, talk about the differences in price and quality among products and why it helps to be aware of these things.

Once in awhile talk about your own desires to buy things that you can't afford.

Your children need to know that their parents don't buy everything they want.

Help your children see the whole financial picture.

Appoint children to be the record keepers of all money spent on family outings. After the event, discuss as a family whether the money was well-spent or, if not, where it could have been spent more wisely.

Include your children in the financial work of the family.

The goal here is not to give them equal power in the family, but to help them learn how people manage money.

Experiences With Saving

Children need help to learn how to save.

- Show your child the difference between saving for specific items they want or need and regular saving.
- Help your children understand that they sometimes can't save enough within a reasonable period of time for an item if it is too expensive — for example, a bike.
- Let your child know when you are saving for something and talk to him about how you are doing it. Collecting change in a jar and setting aside money saved by using coupons are good examples of how to save.
- Allow children to borrow money. It is important to let them experience what it feels like to want to buy something but can't because they have to pay off their debt first.
- When loaning money to your child, set up due dates for payment and charge them interest, just as your bank does. This will help them learn how to borrow money.



Experiences With Earning

Earning gives children a sense of freedom and self-worth and helps them be independent. You can help your children develop good work habits before they work away from home.

- Paying your child to do housework tends to overlook the fact that certain family duties are without a price; they must be done and should be shared by all family members.
- If you decide to pay your child for doing housework, try to make a clear difference between paid and non-paid jobs. Be clear about how you are going to pay your child, and don't offer to pay unless your child is totally free to refuse the job.
- The time devoted to earning money should be taken from your child's leisure time, not from study time, or time when they should be doing their part of the household chores.

- Demand certain levels of quality in the work your child performs — according to his age level. Be clear and fair about the standards you set.
- Pay close attention to your children's efforts to move outside the family to earn money. Make sure that they fully understand what they are taking on — for example, what financial risks are involved, what amount of time they are going to have to give up, etc.
- Help your child set up an earnings record book in which she can keep track of all her earnings as well as any expenses she might have had while earning her money.

Teen Jobs

While jobs can help teens learn to manage their time and money, it has been found that, in some cases, teen jobs can do more to promote bad grades than to help them.

- Flipping hamburgers or bagging groceries can not only take teens away from their studies but also provide them with money for things that they don't need — including drugs and alcohol.
- Most of the jobs available for teens are part-time, low-skill positions. The largest employers — fast food restaurants and grocery stores — often expect teens to work irregular hours on short notice. This pattern can be very harmful to good study habits.



While working too many hours is a concern for many teens, unemployment is a serious problem for others. Periodic unemployment doesn't seem to affect a teen's future employment opportunities.

In fact, this is typical of short-term jobs which are designed for students. Despite the danger of working too many hours, many teens find a job to be rewarding. Working gives them a chance to earn money, to take on responsibility, and to be treated like an adult.

These guidelines are suggested to help make teen jobs experiences positive.

- Encourage teens to work no more than 15-20 hours a week in jobs that can provide them with good learning experiences for the future.
- Discuss in advance with your teen and be alert for some of the negative signs of working too many hours:
 - Increased use of alcohol, drugs, and/or tobacco.
 - Stealing and lying on the job.
 - Grades in school go down.
 - Be aware of how your teen spends his money.

Work together with your child's employers and teachers to help create experiences for your teen that will build the foundation for a lifetime of positive work habits and attitudes.

Have a good month!

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