
RAISING MONEY SMART KIDS BY JANET GRAY

Teach your children well. Although the musical group of Crosby, Stills and Nash likely weren't referring to financial literacy in their well-known song, it is a lifelong skill that as parents, we should teach our children well. (Note: Grandparents can help in this learning also.) In fact, the best place for kids to learn about money is at home. Money management is an experiential skill so start early with small steps, allow for practice and failure, lessons learned, rinse and repeat. Celebrate the successes as you go forward in a safe and positive learning environment (home). Let's take a closer look at some of the ideas and tips that can be put in place into your unique family situation.

Parents are hands-down the most influential money teachers and role models that children will have. And since modeling or learning by observation is one of the best ways for kids to learn, it's important that you are on your 'money' game also. While it shouldn't be a taboo or inappropriate subject, often parents don't want to talk to their kids because they aren't sure what to say (content), lack the confidence in their own money skills, and/or they don't want to give away the control of that money, preferring to manage it for their kids. Plus, life is already overwhelming—where do parents find the time and energy to have these discussions with their kids?

The answer is start early and discuss often. There is no deadline or exam but at the same time, don't procrastinate. No special training or tools needed. Use daily life events to find those 'teachable' moments. And put habits in place as early as possible. Start when children are toddlers with age appropriate lessons and then change up as your child gets older. Parents will agree that it's easier to teach a toddler than a teenager! Most schools do not include money lessons in their curriculum, so parents need to teach this skill as part of the other family values they impart. Be supportive as they learn and grow more self confident. Encourage your children to be problem-solvers—this is a valuable skill for their future employment.

Let your children see you use cash, not just credit or debit. Cash also helps younger children with their numeracy skills and connects that spending money has a finite amount. Teach them to set and achieve goals. Talk to them about their individual goals and when they are old enough, joint family goals. Emotion drives many money decisions so connect their money to a purpose. Inspire or motivate them towards saving for something they really want.

In order to learn about money, it's best to have money in hand to put the lessons to the trial and error test. Some parents call this an allowance. It's not just about learning the theory of money, it's a chance to put it into real-life practice. You are putting a fixed amount money in their hands to 'do' and then to be replenished within a fixed time period. Another option used (unsuccessfully) by many parents is the never-ending money-pit reality of handing over money when asked/begged by your kids. This has no limits on it—and no responsibility for its care and longevity once given to your child because they know when it's gone, they can just ask for more—again.

An allowance should be given at regular intervals so your kids can depend on it, which reinforces planning and goal-setting skills and learning how to save. This is a teaching opportunity to present new skills and lessons. You want to create the baseline for real world money management like fixed expenses and other obligations including savings—before the

spending part begins. Some parents refer to their kids' allowances as paycheques and speak to them about taxes and other deductions to illustrate the concept of gross and net pay.

For young children, keep it simple. Allow them to get used to the coins and paper bills by counting them and recognizing the different values of the denominations. Help them to make small purchases and experience the different purposes of money such as saving, sharing and spending. Set up a visual system of money holders. Some parents use 3-4 jars, others buy specialized piggy banks. The use of jars allows for personal creativity, as the kids label and decorate their own jars using paint, glitter etc. Try to ensure there is still some visibility of the jar contents so that kids can see the amounts and learn the lesson of the finite amount of this resource and that it takes planning skills to make it last until the next infusion of cash (allowance).

Label each of the 4 jars: one for Investing, Giving, Saving and Spending. The Investing jar is for longer-term savings like university or first car, Giving is to share with those less fortunate like charities, Saving is for medium-term purchases usually of a larger cost like travel, clothing and Spending is for immediate purchases.

A common question from parents is "how much" to give each child. It depends on each child, as some children require more because of their interests, maturity level, and also depends on what you can afford. Check in with your child on what their spending needs and goals are (a teaching moment!). Once the child is of school age, many parents give their child an age-equivalent amount like \$7 weekly to a 7-year-old. If this amount seems high, remember that this account will be divided into 4 categories of saving, giving, investing and spending. Consider the practical side: when is best time of week to "pay" the child, make sure you have smaller coins and bills to make it easier to divide into the jars. Allow the child to do the dividing and depositing into each jar. It's an important activity that needs to be done continuously in some form for the rest of their lives.

A standard rule of thumb is that you Invest 10% of your income. It's a good starting point that can be adjusted at anytime, but it also helps to make the math work. And a great habit for their entire lifetime. As an adult, learn to live within 90% of your net income so you can always save 10%.

Giving could be 5%-10%. Some churches ask their members to tithe 10% of income—either is a good guideline for charitable donations. The important part is the doing. The percentage can be adjusted later.

For the remaining money- how much is the Saving portion and how much is Spending portion? This will depend on each child's individual goals and how much financial help might come from other sources like grandparents. A common goal is 50% Spending and 30% Saving.

We won't debate here whether an allowance should be tied to house chores or not. There are parents on both sides of this discussion. Most money experts agree that for the money learning to be effective, the money should not be tied to chores.

And of course, to make these lessons work, parents must resist the temptation to give and/or bail your kids out of money trouble. Allow them to spend, for better or worse, and then deal with the consequences of their spending decisions. It's the best way to learn. As hard as it is,

just say NO. Sometimes it seems easier to just say “Yes” but in the longer run, a NO is more helpful.

When speaking to adults about their own financial literacy, many say they wished their parents spoke more about money with them while they were children. It's not too late at any point to have good money discussions with your own children or grandchildren. It's a gift that keeps on giving.

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