

# Kid-friendly finance

Help them develop smart money habits

**W**e all like to think our children or grandchildren are practically geniuses, but some things just don't come intuitively. Wise money habits, for example. Everyone needs to learn the value of a dollar, how to make money work toward our goals and how to protect our financial legacy, even little kids. In fact, the sooner you start the better. When your little ones aren't so little anymore, you'll have the comfort of knowing they understand and appreciate the power of financial planning and the role money plays in their lives.

But how do you know what's appropriate at every age and the best way to impart these important life lessons? Follow along as we walk through the milestones that mark the path to financial literacy and, hopefully, wisdom. **W**



The early years  
5 to 9

## LESSONS

Pre-kindergarten is a great time to start with the basics, including the idea that you must work to earn money in order to pay for items and services, as well as the value of different coins and bills. By age 7, your child should be able to do some chores and earn enough allowance to buy small items. It's important, too, to discuss needs and wants and why you might have to make choices (e.g., needs come before wants) or wait a little longer (to save for something you want more).

## ACTIVITIES

**GET TO WORK.** Brainstorm different ways to earn money, like a lemonade stand, cookie booth or selling used toys and books.

**PLAY GAMES.** Role-play using money-based games (e.g., restaurant owner and customer).

**START SAVING.** Explain savings accounts and the concept of earning interest. Visit a bank to open up a savings account in your child's name.

**TIP** | Start saving habits early by stashing a percentage of any money received in each of four collection jars: one for saving, growing, spending and giving. The point is to build patience in order to later enjoy the benefits of disciplined saving.

# The teen years 10 to 15

## LESSONS

As your child or grandchild matures, talk about how your family values work and money. Continue to instill work ethics by allowing your preteen or teen to earn money by doing chores or errands, like washing cars, mowing lawns or babysitting. If you haven't already, open a savings account for your child and explain how interest can compound over time as they save toward midrange goals. Discuss, too, how to balance deposits and expenses to make sure your teen is living within his or her means. Children within this age range also should be able to conduct simple financial transactions, like writing a check, making a deposit, using an ATM and paying a bill.

## ACTIVITIES

**CHECK OUT CHECKING.** Consider adding checking to your children's accounts and teaching them how to balance their checkbook.

**DIVIDE AND CONQUER.** Allocate a percentage of allowance or gift money toward saving, spending, investing and sharing buckets.

**CHIP IN.** Offer to "match" your child's savings with a contribution of your own, say a quarter for every dollar saved.

**GET DEFENSIVE.** Explain how to safeguard personal and financial information online and how to spot scams aimed at stealing financial information.

### WATCH OUT FOR

Kids giving or loaning money to friends. Explain how lending works and the importance of paying back what you borrow.

**TIP** | Now's a good time to discuss credit and its alter ego – debt. Discuss when to use credit cards and how quickly interest adds up. If you get a credit or debit card for your older teen, emphasize responsible use and how to keep personal information secure.

## LESSONS

Kids this age should start thinking about where to go to college, how to live independently and, yes, even planning for retirement. Start simply by asking your older teen or young adult to participate in household budgeting and talk about paying bills on time. Be sure to discuss line items like insurance and utilities and their costs, as well as the importance of automatically saving for long-term goals, like buying a house, setting up an emergency fund, or saving for retirement (remember how important compounding is!). Cover the basics of putting money to work through investing, smart borrowing and the after-tax effect on take-home pay and investment income.

## ACTIVITIES

**ADD IT UP.** Utilize special calculators to estimate college costs and benefits. Discuss how much you're willing to contribute toward this important expense.

**GIVE CREDIT.** Explain how credit history can affect your ability to obtain credit or get a job. Check free credit reports at [annualcreditreport.com](http://annualcreditreport.com).

**WORK IT OUT.** Talk about the value of contributing through a part-time job, household chores or an internship.

**INVEST IN THE FUTURE.** Help your adult children set up their 401(k)s or start a brokerage account or Roth IRA (if they're working).

**TIP** | Introduce your child or grandchild to your accountant and financial advisor. Both can help fill in any gaps in their financial education, offer guidance when it comes to 401(k)s or other employer-sponsored retirement plans, and impart the benefits of long-term planning.

# Young adulthood 16 to 21

### WATCH OUT FOR

College graduates "boomeranging" home with the expectation of being pampered. Set boundaries and outline how they can earn their keep.

## Grandparents are teachers, too

Millennials actually crave financial advice from their grandparents. It seems both generations share similar attitudes about money. So consider sharing your financial wisdom early and often; they'll listen. You can:

### REFRESH YOUR MEMORY

Think about how much your first job paid or first car cost. How did you afford big ticket items without the help of your parents? Listen for verbal cues. Questions such as, "Why can't I have that?" or "How did you save so much?" are good ways to insert your own wisdom and experience.

### TELL STORIES

Share anecdotes about saving for your first house or how you bounced back from a bad financial decision.



### MAKE IT FUN

Remember Pay Day and Monopoly? Games can be effective ways to teach financial concepts and enjoy time with your family.



### SHARE YOUR VALUES

Bring up the importance of saving and sharing when gifting money. Help kids allocate their income or monetary gifts among saving, spending, investing and giving to charity or take them to open a savings account.

### TALK ABOUT GOAL SETTING

Use financial goals they're interested in, such as a new bike or tablet. Help them learn to save and comparison shop.

### SHARE THE POWER OF EDUCATION

Discuss opportunities you've received (or maybe missed) because of your level of financial know-how. Put grandchildren's digital prowess to use to find online resources that bolster financial knowledge.

### Young adults say

**85%** are willing to discuss finances with their grandparents.  
**73%** say grandparents already have influence on their finances.

### Grandparents say

Only **8%** are willing to open this conversation.  
**30%** believe they can influence their grandchildren's financial habits.

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