

### Chapter 2:

# Teaching to Spend, Save and Manage Money

## Summary

Credit union youth programs should introduce young people to financial products when they're ready for them, so that they know how to manage money before they're on their own. Providing the services young people need and the education to use those services responsibly is not simply an expense. It's a sound investment for a credit union to make, a calculated long-term business development strategy.

## Highlights

- ◆ Children in the U.S. grow up immersed in the consumer economy. The consumer initiation of the typical child proceeds naturally from the first store visit at a median age of two months to the first independent purchase at the median age of eight years.
- ◆ Young people pass through four phases on the way to financial independence: learning to spend, to save, to manage money, and to borrow. The rate at which young people pass through the phases is related to maturity, not age. Each phase creates a need for different financial services.
- ◆ Providing appropriate services to qualified youth contributes to long-term member retention. Checking accounts and debit cards lead to electronic access. When teenage members move away to work or school, they'll be less likely to sever their electronic credit union ties.
- ◆ Many parents demonstrate poor money-management habits. Credit unions should provide tools that help parents teach children about wise spending, saving, and money management.
- ◆ It's also important to involve frontline staff in cross-selling youth financial education and products.

**Y**ou're out shopping with your toddler, who spots a toy she really wants. "Can I have it--please, please, please?" she whines.

"I don't have any money with me," you evade.

"That's OK, just use your card-thing," she quickly replies.

Children learn at a very early age that money is somehow connected to getting things. They don't understand that there's a limited amount of money available, that you should save for the things you need and want, and that you shouldn't spend more than you have. They've observed that plastic cards equal money, and don't understand why you can't spend without end.

Where would they possibly have learned these things? Oh ... that's right ... from us, the adults in their lives. Children model their behavior after their parents', as you know if you've ever heard your young child scolding his or her stuffed animals, using words and a voice that sound all too much like yours.

Unfortunately, too many parents demonstrate poor money-management habits, having witnessed their parents' poor habits, and so on, and so on. The constant barrage of advertising that today's kids face doesn't help either.

Credit unions can help families learn positive financial behaviors. This chapter covers helping parents teach their kids about money—spending, saving, and managing it. And it recognizes the fact that children mature at different rates. Therefore, credit unions should give *qualified* youth access to financial services based on maturity and education, not just chronological age.

## How to—get started

When your credit union decides to design and implement a youth program, where do you start? How do you begin? Start with credit union coworkers, especially those who have children. Survey your



members. Find out their children's saving and spending habits and specific financial needs. Check with other credit unions, your local chapter and state credit union league, and other financial institutions to learn what they're doing with youth programs.

There's no better way to motivate young members to learn about wise money management than by providing them with a full range of financial services as they become mature enough to handle them. By establishing your credit union now as the best source of all your young members' current and future financial services, you'll ensure a thriving membership in the future.

## Be Sure To

Search the Jumpstart Clearinghouse for low-cost educational materials. (See *Resource List*.) Use the Jumpstart curriculum standards to evaluate materials before you buy. Check out CUNA's financial literacy resources at [cunapfi.org](http://cunapfi.org).