

Money as reward/penalty

- Don't link allowances to behavior. It focuses the issue and can become a source of conflict and manipulation.
- Don't link allowances to routine chores. Children help around the house because they're members of the family, not just an allowance to learn how to handle money. Linking the two may result in children who won't do anything without pay, or children who decide that the "wage" isn't worth the work.
- Avoid paying for good grades. Children need to learn that education is its own reward. To "pay for As" also is unfair to children who are unable to attain high marks even though they work hard.
- Consider paying children for extra jobs that you might hire someone to do. Explain the job and your expectations in detail, offer fair pay, and allow the child to say no.

Teach smart spending

- Discuss and establish age-appropriate spending guidelines. For example, even though children may have enough money, you may forbid certain purchases.
- Teach children to comparison shop and make decisions based on price, features, and quality. Challenge them to find the best consumer deals by researching online or at the library. Share your expertise but, when possible, let them choose.
- Encourage children not to spend on impulse. Ask them if they really need the item now.
- Allow working teenagers to manage their own earnings. Require them to pay for more of their expenses to prepare them for living on their own.

Encourage saving

- Teach children to pay themselves first by helping them pick an amount to save regularly. Help young

children set goals that they can reach in a few weeks. Older children can set goals further in the future and use a credit union account to amass their savings.

- Make sure savings goals allow children enough spending money to enjoy themselves.
- Encourage children hang up a picture of the item they're saving for. They can set up a calendar and container for the money.
- Consider matching amounts children put in their savings accounts.
- Teach older children concepts such as compound interest, safety, and liquidity. Encourage teenagers to build a fund for unexpected emergencies such as car repairs.

Encourage giving

- Encourage children to share time and money. Help them plan gift giving to family and friends and donations to worthy causes.
- Keep a giveaway box in children's rooms for outgrown clothes, toys, and books in good condition. Take your children with you to make donations.

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Let's face it: Children are consumers, too. Over the past three decades, the amount that children under the age of 12 spend directly (adjusted for inflation, has increased by 50% to an estimated average of \$375 per year. Teenagers' direct spending totals an estimated \$160 billion per year, yet fewer than one-half of high school seniors know the basics of credit, saving and investment options, or insurance.

Teaching money management skills to children is critical. If your children become regular savers and responsible borrowers now, they'll be prepared when they're out on their own. And if you don't teach your children about money, advertisers will.

Include children in family money discussions. Without revealing details, give children a sense of your financial position and family values, so that they can understand boundaries and priorities. Share monthly bills with children to give them an idea of how your budget works. Discuss your money-management philosophy and set saving goals as a family.

Allowance guidelines

- Allowances are a good way for children to learn to make their own money decisions and live with them. Knowing they'll regularly get a set amount of money makes it easier for children to learn how to manage it.

- Allowance amounts depend on several factors: age, maturity level, interests, responsibilities, and the family's financial situation. Review annually what an allowance will cover. For example, older children may be responsible for paying for school lunches, transportation, and entertainment out of their allowances.

- Let children make decisions and mistakes with allowances. Don't give them more money if they run out because of poor decisions or lack of planning.

Topics to Teach

Younger than age 5

- Children are born learners. But the rules for saving money are not simple. For example, children see people pay with cash, coins, and plastic cards. This can be confusing. Fortunately you don't need a classroom to teach. A "teachable moment" is any opportunity to share an idea, such as why cash from an ATM is not free money.
- Know when a teachable moment is over. Preschoolers do not pay attention very long, sometimes only a few minutes. Stop as soon as your child's mind wanders. Young children learn more from a few short lessons than from one long one.
- Visit creditunion.coop to download free activities and other resources to teach your preschooler basic money lessons. Look for *Thrive by Five*™.



Ages 5 to 10

- Let children save for, and buy, something they really want. Stress that saving is the same as delayed spending.
- Use three containers labeled "Spend," "Save," and "Share." Suggest that children contribute a portion of their allowance and cash gifts to each container to teach how to spend wisely, save regularly, and give to others.
- When the "save" container builds up, take children to the credit union to open a savings account for periodic deposits.

Ages 11 to 14

- Include children on shopping trips to teach them smart shopping techniques. Let them help compare product qualities, prices, return policies, and warranties.
- Encourage odd jobs such as babysitting, yard work, or pet care.
- Encourage children to use their own money to buy beyond-the-basics clothing.

Ages 15 and older

- Discuss saving plans for short-term goals, such as a computer or vacation, and long-term goals, such as a car or education after high school.
- Consider giving teenagers a seasonal clothing allowance, beyond their regular allowance. After setting guidelines and limits, let them make their own choices.
- Consider helping teenagers open a share draft/checking account and use a debit card.
- It's better for teenagers to learn smart borrowing while under parental supervision at home. Consider allowing your teenager to have a low-limit credit card and/or a co-signed loan for a big purchase—with, of course, full responsibility for repayment.

