18 Ways For Children or Grandchildren to Learn The Value of Money

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1) As soon as children can count, introduce them to money. Take an active role because repetition and observing others are the two methods they learn by.

2) Communicate with children, as they grow, about your values concerning money and how to save it, make it grow, and most importantly how to spend it wisely.

3) Helping children also learn the difference between needs, wants and wishes. This will prepare them for making good spending decisions in the future.

4) Setting goals is a fundamental concept to help young people learn the value of money and also how to save. People, young or old, rarely hit targets they don't have. Nearly every toy or other item children ask their parents to get for them can become the object of a goal setting session. Benefits of saving to achieve the goal is an important aspect and provides built-in motivation. Goal setting for good grades, toys or savings, helps children learn to become responsible for their own futures.

5) Indoctrinate your children to accumulation (or savings) instead of spending (or consumption). Explain and demonstrate the concept of earning interest income on savings. Consider paying interest on money saved at home. Have children help calculate the interest so they can learn and **see how fast money accumulates through the magic power of compound interest.** Later on, they will also realize that the quickest way to a good credit rating is a history of regular successful savings. Some parents offer to match what children save on their own. "It is a time tested way to get them started," says *Kiplinger's Personal Finance Magazine*. I read of one couple who had their children pay one-half the cost of all their playthings over the years. They handed it back to them with interest at their children's college graduation. It averaged over $2,000.

6) When giving children an allowance or income, **give the money in denominations that encourages saving**. For example if the amount is $5, give out five $1 bills and encourage at least one be set aside in savings. (Just saving $5 a-week at six percent interest compounded quarterly will total about $266 in a-year, $1,503 in five years and $3,527 in ten years.)

7) Introduce U. S. Savings Bonds to children. Take them to the bank when you make the purchase. Bonds are still a good value, cost one half the face value, earn interest and in some instances, will be tax-free if. used for a college education. Perhaps more importantly, when given as a gift, they will not be immediately spent - and this will reinforce savings and goal setting lessons.

8) Take the youngsters with you to a credit union (or a bank) when you open their savings accounts. **Beginning the regular savings habit early is one of the keys to savings success.** Don't refuse them when they want to withdraw from savings for a purchase or you'll risk discouraging savings all together.

9) Keeping good records of money saved, invested or spent is another primary skill young people must learn. To make it easy, use 12 #10 size envelopes, one for each month and a larger envelope for the year. Establish this system for each child. Encourage children to keep receipts from all of purchases and then make notes.

10) Going to the grocery store is usually one of a child's first spending experiences. About a third of our take-home pay is spent for grocery and household items. Spending smarter at the grocery store (using coupons, etc.) can save more than $1,800 a-year for a family of four. To help young people understand this lesson, demonstrate how to plan a meal, how to use planned leftovers. Before actually going to the grocery, check to see what items are on sale, what could yield a coupon savings, etc. Encourage checking store ads and comparing prices weekly. Also, the use of lists and coupons and also how to shop by the by unit price.

11) Take children with you to other stores, explaining how to plan purchases in advance and make unit price comparisons and also checking for value, quality, reparability, warranty, etc. Spending money can be fun and very productive when spending is planned. Unplanned spending however, usually results in 20-30 percent of our money being wasted because we obtain poor value with many purchases.

12) Allow young people to make spending decisions, both good and poor, and then encourage a discussion of pros and cons before more spending takes place. Encourage them to employ common sense when buying. That means research before making major purchases, waiting for the right time to buy, and employing the spending-by-choice technique which is selecting at least three other things money could be spent on, once it has been decided to make a purchase.

13) Show children how to evaluate ads on TV, radio and in print. Will the product really perform and do what the commercials say? Is it really a sale price? Are there alternative products available that will do a better job, perhaps for less cost? Just because something looks expensive, doesn't mean it represents the best value. Remind them that if something sounds too good to be true, it usually is.

14) Look into joining a credit union, if you are not a member already. They usually have a good youth program that encourages savings and reinforces what you teach at home about money. Explain to young people about the advantages of member-owned and operated credit unions - i.e. higher savings interest paid, lower borrowing costs, etc. - which is why over 57 million Americans belong to them.

15) Alert children to the dangers of borrowing and paying interest. Charge interest on small loans you make to them so they will learn quickly how expensive it is to rent someone else's money. Credit is all about, renting another's money for a specified period of time. For instance, paying for a $499 TV over 18 months, $31.85 a- month at 18.8 percent interest means it cost about $575.

16) If parents are using credit cards, at a restaurant for example, take advantage of an opportunity and explain to children how to verify the charges, how to calculate the tip (a tip should never be calculated on the sales tax portion of the tab) and how to take safeguards against credit card fraud. Explain also how and when you plan to pay for this and other charges children have observed.

17) Be cautious about making credit cards available to young people, even when they are entering college. Credit cards have a message: **"SPEND!"** Some students report using the cards for cash advances and also to meet everyday needs instead of an emergency (as originally planned). Many students in that group also reported having to cut back on classes to fit in a part-time job just to pay for their credit card purchases.

18) Using a calendar, establish a regular schedule for a family discussion about finances. This is especially helpful to younger children. the time when they count their savings and receive interest on their savings. Discussion topics should include the difference between cash, checks and credit cards and also wise spending, how to avoid the use of credit and the advantages of savings and investments growth. With teenagers also discuss the effects on the economy - of inflation versus deflation - on how to economize at home, and alternatives to spending money. Some examples are borrowing an item, bartering, making it yourself, or a one-time rental or buy used, etc.

SUMMARY: Money gives people - both young and older - decision-making opportunities. Everyday spending decisions can have a far greater negative impact on your children's financial future (and yours also) than any investment decisions they (or you) may ever make. Educating, motivating and empowering your children to become regular savers and investors will enable them to keep more of the money they earn and do more with the money they keep!

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