

Start 'Em Young: How to Raise Financially Savvy Children

By Gleba & Associates

Much like learning a new language or playing an instrument, financial skills are easier to learn and develop while you're young. Adult life seems like nothing but a series of financial decisions, and the sooner you can teach your children how to make sound decisions, the more prepared for success they will be when they are all grown up. Here are some rules for raising financially savvy children.



Rule #1: Make good, informed choices.

Once your children make a decision, they must live with the consequences. Teach them that, while there isn't always one right choice, there are certainly better and worse choices. Starting early with small purchases, you can teach your kids to compare prices, do research on the product they are considering buying, and consider the trade-offs and potential buyer's remorse. This way, when they get to a point in their lives when a big purchase must be made, they'll know how to make the best decision.

Rule #2: Have reasonable limits.

Research has shown that kids who have consistent limits set for them were less likely to lapse into drug use and depression than others without such restraints. Limits on everything from swearing to watching violent movies/video games can impact your children greatly in the future. Start with one limit and add more in time. While we want to bond with our children and give them everything we can, holding back may be the best gift you could give a child.



Rule #3: Teach them to manage their allowance.

Giving in to a nagging child who wants a toy or a candy bar does nothing to teach them about financial responsibility. Instead, give them an allowance (a popular model is \$1.50 per week per year of age) and let them choose what to spend their money on. This will force them to evaluate just how badly they want that impulse buy. The most important thing to remember is that an allowance is not a wage, though a “good behavior” prerequisite may not be a bad idea.

Rule #4: Patience is a virtue.

As parents, you must teach your kids that getting something that you have to work/wait for feels much better than just having it handed to them. Instill that good feeling by having your children save up for a big ticket item like a bike or a video game console. Years from now, they’ll look back and realize the anticipation was part of the excitement.



Rule #5: Get a job.

The lessons that we begin to teach our children at younger ages will start to really take root once your children are making decisions about what to do with money they *earned*. Working in high school, assuming it doesn't affect their grades, seems to pay off later in life, and instills a good work ethic in them as young adults.

Rule #6: They're never too young to learn about value.

While lessons of the cost of a house or college tuition may not register until later, there is plenty you can do to get your kids to understand value. When your child wants a new toy, ask them how important it is to them that they have that toy, on a scale from one to five. A week later, ask them the same question and see if the answer changes. Instead of trying to make them understand that the toy wasn't worth the price, you are allowing them to reach their own conclusions and use better judgement in the future.

Rule #7: Be consistent.

If you start your kids on an allowance, give it to them on time and in full. You want them to adhere to the rules you set for them, and that's a lot harder to do if you don't keep your promises to them. In short, walk the talk. Stick to your guns and help teach your kids that promises are promises, and hypocritical behavior will not be tolerated. We all need to live the lessons that we want our children to learn.

There will be hiccups along the way, but getting your children into wise, thoughtful spending habits at an early age will improve their decision making and condition them to not be frivolous with their money. As parents, we want to give our children all the tools they will need to succeed in life, and there's no better place to start than with sound financial decisions.