



Center for Early Education and Development

Questions About Kids

What Should I Teach My Child About Money?

Dollars and Sense Strategies for Parents

Few would debate the significance of money to our daily lives. Yet, despite its importance, we give little attention the ways our children develop attitudes toward money. Even though children may learn financial concepts at school, they learn values which will determine lifelong financial habits at home.

Help children learn to make informed decisions about money. This can be done by giving children a small amount of discretionary money over which they have control. Usually this is in the form of a weekly allowance.

Show your child examples of your spending philosophy.

Go shopping with your child to promote wise spending.

The amount should be a family decision based on family financial circumstances and the child's readiness. It is important not to demand an accounting of how the allowance (or part of the allowance) is spent; a child needs to be allowed to learn from mistakes. Errors in judgment are to be expected.

Think about these questions and then make your decisions:

- Should children be paid for chores around the house (thus not paid if they don't do what is assigned), or should they do what is required as a family member without monetary reward?
- Should children share in the family monetary

resources because they are family members, regardless of their behavior?

- Can money be withheld or taken back from the child if he misbehaves or makes mistakes? Keep in mind that withholding an allowance is not usually a meaningful punishment; punishments are best when they are more closely tied to the behavior you wish to modify.
- Should allowance include money for lunch, bus fare, etc., or should it all be discretionary money?
- Will there be any advances? What if a child spends it all too quickly?

Keep the child's age and developmental level in mind as you make your decisions. Take one step at a time, and be careful not to expect too much too soon. Talk to other parents or your child's teacher about the right age to begin specific money responsibilities.

Help your child become a knowledgeable consumer.

You can promote this by showing him examples of your spending philosophy. Explain what a sale is and how one can save money by shopping at a particular time and place. Talk about why you buy a large box of cereal rather than two small boxes or why you pump your own gas. Go shopping with your child to promote wise spending. Discuss why it might be better to go to a discount store instead of a small specialized toy store. Encourage your child to save a coupon so he and a friend can enjoy a pizza at two for the price of one.

Television can be a tremendous influence on children's ideas about spending. Watch some TV commercials with your child, and explain the exaggeration or bias.



Show your child the particular item in the store, and compare what was said in the commercial with reality, e.g., dolls don't really walk.

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Help children develop the ability to delay gratification. If the child wants to buy an item, but does not have enough money, suggest that if she waits until she receives next week's allowance she'll be able to afford the purchase. Once she learns about saving from one week to the next, you might tell her how you save for a family vacation and suggest that she could save for vacation-related items. Discuss from time to time how you both are progressing toward your goals.

Encourage your child to set aside a portion of her allowance to save for a longed-for item she cannot otherwise afford. Propose matching funds when she wants to buy something more costly than she could save for alone. For younger children, it may be easier to save coins in a clear container so progress is easy to see. Passbook savings accounts are good because they have a tangible record of deposit and withdrawal transactions.

To discourage impulse spending, increase the time between when your child gets his allowance and when he has opportunity to spend it. For example, give him the allowance before bed rather than when you are on your way to the store.

Letting children deal with banks directly allows them to see how that system operates.

Help dispel some of the mysticism about money, particularly where it comes from and how much is available. When told that the family does not have enough money for a new bicycle, a very young child may believe that one simply has to go the bank or show a credit card in order to get the bicycle. Older children realize there is not an unlimited supply of money and that checks and credit cards all tap the same limited source. Letting children deal with banks directly allows them to see how that system operates.

Once children are old enough to manage basic arithmetic, show them how you reconcile your checking account. When you use a cash withdrawal

machine, make sure you point out the record of that transaction on your monthly statement; often small children think that such machines are magic!

Help your child learn to view money objectively for what it is—a medium of exchange, rather the thing that conveys love, acceptance, or rejection. As parents, we do not want to encourage our children to mistake money for acceptance and its absence as rejection. We don't want to send a message that when they do the appropriate or expected behavior they will be rewarded with money. For example, paying children for achieving good grades is usually not a good approach. The achievement should be acknowledged or perhaps rewarded by a celebration but not bought.

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Questions About Kids is on the Web at:

<http://cehd.umn.edu/ceed>

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The "Question About Kids" series is published by the Center for Early Education and Development to provide state-of-the-art information about young children and families. They are reviewed by a panel of child development experts at the University of Minnesota. For further information, contact the Center at 612-625-3058.