

Money Matters: Knowing the Difference between “Wants” and “Needs”

One of the most difficult tasks we face as parents is to help our children understand the difference between “wanting” something and “needing” something. Individuals face choices every day about what is “needed” for survival and well-being, and what we would “like to have” to improve our daily lives.

The “needs” versus “wants” dilemma continues throughout childhood into the teen years, and on to young adulthood. Priorities and focuses shift as families enter different phases of their lives.

Even for adults, the lines between “wants” and “needs” are often blurry. When it comes to money, spending decisions are often unclear, regardless of age.

From an early age, children can learn the value of money. Parents guide their children’s relationship with money in various ways:

- Teach through allowances, gifts, earnings, savings, and spending decisions.
- Discuss where income “comes from,” and where money is spent.
- Play money, with both coin and currency, can be an excellent tool to help children visualize “how much” something costs. You may want to use a piggy bank and cash register to symbolize “savings” and “spending.”
- When children are old enough, parents may want to let them have a voice in some family spending decisions.
- Encourage family dialog; spend time talking as a family.
- Parents should assist children with establishing a savings or checking account, help them record what they spend, and plan savings for a not-too-distant future goal. It is an excellent way to teach a child practical money management skills.

Helping children determine a “want vs. need” when purchasing something with their own money establishes a baseline for knowing the value of money.

It is also important to let children make some poor choices when it comes to spending. They will learn from their mistakes and be more inclined to make a better choice next time. Financial lessons learned during childhood will be long remembered.

By the time children have finished high school and contemplate the future as a college student or member of the workforce, parents hope their children can make good money decisions. It is important to talk with your children and teens about money matters before they are off on their own.

Young wage earners quickly discover the price of basic “needs” can be much higher than their income. Learning to balance income and expenses takes practice. Dollars spent on unnecessary items (wants) come at the expense of other things, i.e., necessities. Good money management skills are critical as young adults go off on their own.

Reference:

Furry, M., & Mincemoyer, C. (2003). I really need that. In *Money Fundamentals, Book 1. A Youth Guide for Learning About Money* (pp. 6-8). 4-H Cooperative Curriculum System, Inc.

Written by Mary Ann Holland, Extension Educator

Reviewed by UNL Extension Educators and Specialists