

Encourage Children to Develop Sensible Money Attitudes

Children need to learn to spend and save appropriately.

If your five-year-old automatically squirrels every penny he gets, don't beam with pride. That's not considered normal behavior for small children. The child may need help and guidance in realizing that saving money is just a way of postponing the pleasure of spending. Neither is it good if, as soon as a child receives money, it is quickly spent.

Children will be more inclined to save if they are saving for a definite purpose.

Make that purpose an immediate goal rather than a long range one. A 10-year-old will get more excited about saving for a new bicycle than saving for college.

Give children control over their own savings. Instead of a piggy bank that must be broken to get to the money inside, a bank that locks and can be easily opened *by your child* is a better idea. If saved money is easily accessible, children may learn even more about making choices.

When children are old enough to legibly sign their names, go with them to a financial institution to open a passbook savings account.

Use of Gift Money

Let children decide what to use gift money for, especially if it's a relatively small amount. You may want to advise them when the amount is larger, but remember the money is theirs. Let them make the decision as to how it will be used. Encourage them to show appreciation to the giver.

When They Need Extra Money

Encourage them to earn it. As they get older, children's needs may soon likely outstrip a parent's ability to cover them with an allowance. Within the family, come up with a business deal for special jobs which someone would usually be hired to do, such as window washing. But pay only for the exceptional job and not for routine household chores. Agree beforehand just what is to be done and how much will be paid. Pay children no more and no less than what the job's worth.

If possible, encourage them to find jobs outside the family when they are old enough. Such jobs give them a taste of working for someone else and meeting the expectations of people outside the family.

Punishment or Reward?

Never use money as a punishment or reward. Children will find it difficult to learn to manage money if they are never certain when some of it will be taken away as punishment.

Children who know they can always get extra money for good behavior are just as handicapped. How can they learn to manage on a certain income if they always know they can count on more money if they play their cards right?

As the parent it will probably be difficult to give children their allowances when they deserve punishment; but find some other way--some way not involving money--to punish them if punishment is deserved. Many attitudes we have about money as adults result from how money was or was not used as a punishment or reward when we were children.

What If They Overspend?

Try to find out why. Where did they blow their allowances? Do they know where it went? If not, this may be a good time to suggest keeping a simple record of their allowances. Advances on allowances are usually not a good idea. A much better idea is to find a way for children to earn the money they need.

Lost or Stolen Money

Help them to decide why the money was lost. Do they need a better billfold to carry money in? Do they need to limit the amount that they carry with them? Then decide together how much was lost and replace the amount that would have gone for necessities such as school supplies. But you probably will not want to replace the money that would have gone for "extras."

For more information on helping your children develop a healthy attitude about financial management request from your University of Nebraska–Lincoln Extension office a copy of NebGuide G1788, Money Wise Children Learn by Doing” or visit the web at <http://www.ianrpubs.unl.edu/epublic/pages/publicationD.jsp?publicationId=891>

A Final Thought

A pitfall that some busy parents fall into is to use money to buy love, or substitute money for companionship. The growth of a child's emotional stability and ability to manage money are hindered with this kind of reaction. There is no substitute for parental love and companionship. So set aside some time in that busy schedule for each child.

There is no set recipe or formula for teaching children to become responsible money managers. Parents can do a great deal to help their children develop healthy attitudes about money, its purpose and limits if they remember actions and examples speak louder than words. Parents can examine their own money attitudes and practices and use ideas discussed here to give children realistic money experiences. It will pay off in satisfaction for both parents and children.

References:

Manning, L. M., Mahar, C. J., Prochaska-Cue, K. M., (2007). Money Wise Children Learn by Doing. *NebGuide*. University of Nebraska–Lincoln Extension Publication G1788.

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