Teaching Kids the Financial Facts of Life

Nonprofit credit counseling agency Take Charge America shares tips for teaching children how to manage money

PHOENIX — (July 12, 2017) — For good or bad, today’s kids have access to more information than ever before. But even though they can find answers with just a few keystrokes, few know much about managing money.

“Despite the boundless information available online, the best way to learn about money is to follow in the footsteps of past generations, when people spent less than they earned and saved up for big purchases,” said Michael Sullivan, a personal finance consultant with Take Charge America, a national nonprofit credit counseling and debt management counseling agency. “It’s important for parents to instill responsible money habits so their children can succeed in the future.”

Sullivan offers six tips to help parents teach their kids about finances:

1. Communication. The Council for Economic Education’s Survey of the States, Economic and Personal Finance Education in Our Nation’s Schools 2016 study reported that only 17 states require high school students to take a course in personal finance. Parents shoulder the responsibility, but many simply don’t discuss money with their kids. Without open communication at home, kids may not learn the value of a dollar.

2. Wants/Needs: We live in an immediate gratification world where the line between “want” and “need” is blurred. Ensure your kids understand the difference – and take care not to indulge their every whim – to raise kids with the discipline and patience needed to fight off temptations to rack up credit card or excessive student debt in the future.

3. Budgeting: Show your kids how to budget their money, making sure you include line items for savings and even charitable giving. A physical budget is an invaluable tool in teaching them to allocate their dollars, measure their progress toward large purchases, and ensure they spend less than they earn.

4. Practice: Provide your kids with a regular allowance, encourage them to get a job, or offer frequent opportunities to earn money at home. Allow them to practice the lessons learned by funding their own “wants.” Children will quickly learn how much things cost, how money is earned, and the importance of budgeting and saving. Give them a chance to make money mistakes, too, to learn valuable lessons.

5. Financial Accounts: Take the lessons a step further and help your kid set up a savings or investment account. Older children and math whizzes will be fascinated by the concept of compounding interest, which may boost their motivation to save more.

6. 50/50: Today’s kids are growing up in a high-pressure consumer culture, and parents often give in to their desires for clothing, toys, gadgets and entertainment. It’s important to give children the opportunity to put skin in the game to reinforce the value of money and bolster their financial ability. To
that end, many parents arrange a 50/50 or matching-funds agreement with their kids for big-ticket items like a car, a vacation or even college tuition.

For more information about budgeting, credit counseling, debt management or student loan repayment, visit takechargeamerica.org or call (888) 822-9193.

About Take Charge America, Inc.

Founded in 1987, Take Charge America, Inc. is a nonprofit agency offering financial education and counseling services including credit counseling, debt management, student loan counseling, housing counseling and bankruptcy counseling. It has helped more than 1.6 million consumers nationwide manage their personal finances and debts. To learn more, visit www.takechargeamerica.org or call (888) 822-9193.