

Money Management Begins at Home

Studies show that kids learn most of what they know about money from their parents. Start by passing along your financial values and give your kids hands-on experience in managing cash.

By Janet Bodnar

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As someone who writes regularly about children and money, I'm bombarded with studies showing that youngsters are woefully lacking in their knowledge of personal finance.

Earlier this year, for example, when the JumpStart Coalition for Personal Financial Literacy tested the financial smarts of high school seniors around the country, the average score was 52.4 -- less than passing and not much better than the students did in 2004.

But let me go on record in defense of kids. I wouldn't necessarily expect a senior in high school to know how a family can protect itself against spikes in inflation, or that stocks offer the highest potential return over 18 years of saving for a child's education, or that bonds issued by states aren't insured by the federal government -- a sampling of questions on the JumpStart survey. Schools could help, but only about 17% of students have taken a course on money management or personal finance.

Studies consistently show that kids learn most of what they know about money from their parents -- and they often prefer it that way.

Inflation hedges and municipal bonds may not be the stuff of dinner table conversation, but parents are uniquely qualified to teach children financial values -- thrift, generosity, deferred gratification -- and give them hands-on experience in managing cash.

In Capital One's annual back-to-school shopping survey, half of the teens interviewed said they'd like to learn more about money management -- especially budgeting, checking accounts, saving, investing and financing large purchases.

And a big chunk of those kids want to learn from their parents. "Our survey tells us that teens are willing to listen to their parents," says Diana Don of Capital One.

That's my experience as well. Parents often worry that their voices will be drowned out by the media or by their children's peers. But that's not the case. As one high school senior observed, learning about money "depends on your parents and your upbringing. It has to do with the exposure you've had and the responsibilities you've had."

Don't worry that your kids will ask questions that you can't handle. Youngsters are a clean slate, and even small lessons can yield a big payoff.

Next week: [Six money skills kids need to master.](#)

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