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Six Steps to Teaching Your Children Better Money Skills

by [Cap](#) on 6/6/2007

Tags: [family](#), [Finance Core](#)

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Step 1: Start Teaching Your Children Early

The earlier you start exposing your children to basic money matters, the better they'll be able to understand the concepts and value of money as they get older.

Depending on your child's age, you can try a few different approaches:

- Explain to them why you work, who you work for, what you get in return, and why you need money.
- Teach them about coins and dollar bills. Show your children how many coins will equal a dollar, how many dollars equals a five dollar bill, and so on up the chain.
- Use available free publications such as free comic books from the [New York Fed](#). Mint highly

recommends the issues “Once Upon a Dime,” “A Penny Saved,” and “The Story of Money.”

- As they get older, branch out into other topics, such as how money work in a larger picture (who knows, maybe your child will love macroeconomics); how a credit card works; and how insurance works.
- Take them to a [money camp](#). There are adult programs available too, so you can both learn together. Quality time with your child as you expose them to the harsh monetary reality of the world, how can you beat that? (Just kidding).

Key: Take advantage of teachable moments! For every life situation and question your child has about money, use that moment to discuss the issue in deeper detail with your child. Questions about how coins and bills work? Talk to them! Their monthly bank statement just came in the mail? Use that opportunity to discuss issues such as interest rate, bank fees, and saving bonds.

The important thing to remember when teaching your child about money is that you don't necessary have to be the know-it-all Mom or Dad. Being a financial whiz is not a requirement to teach your child sensible and sound financial choices. If there are topics you don't know well, take the opportunity to learn together!

Step 2: Teach Your Children a Sensible Consumer Life

As your child begins to understand the value of a dollar, teach him or her a sensible consumer life by living one, yourself. Show them why delay gratification is important.

Key: Have them understand the difference between a “want” and a “need.”

How can your child differentiate between these closely related emotional feelings? Each time you make a purchase for your child, both you and your child should consider these questions:

- Do they already have what they're asking for?
- If so, is it broken, lost, or irreparable?
- Do they often use the item?
- Why do they need this? Will it:
 - Teach them the skills they need?
 - Help them with school work?
 - Improve their life culturally?

The more you and your child consider these questions, the more adept your child will be in making sound purchasing decisions and avoiding frivolous spending.

Step 3: Teach Them the Joy and Importance of Saving

Saving money can be quite fun for younger children. Consider these various piggy bank offerings to help your younger child start saving:

- [Moonjar Moneybox](#) (\$6.95)
- [Money Savvy Pig](#) (\$15.95)
- Old Shoe Box (\$0.00)

Show them the [magic of compound interest](#) and why saving while they're young is important. Help your child start a savings account at a local credit union or community bank. As they get older, expose them

to ATM cards and other financial instruments such as certificate of deposits, money market accounts, and saving Bonds.

Start Saving Early. Help your child start a savings account at a local credit union or community bank. As they get older, expose them to ATM card and other financial instruments such as certificate of deposits, money market accounts, and saving Bonds.

Not all savings are created equal. Here are two accounts that offer rates up to 5.05%.

WaMu Free Checking and Savings
4.75% APY Savings at WaMu.
[Sign Up](#)

HSBC Direct Savings
No fees & no minimum deposit.
[Sign Up](#)

Step 4: Show Them the Importance of Avoiding Waste

Educate your child on why simple things such as turning the water and lights off are important. When the monthly utility bill comes, show them how that usage will directly affect the household bill.

The examples that your child can grasp the easiest are the ones they can see. Explain to them that for every dollar they save in unnecessary waste, they can better spend that money toward things they truly care about.

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Step 5: Give Your Children Purchasing Ability

In order for your child to understand money, they need to have some as well.

Giving your children allowances can be quite tricky, so here are some things to consider when you decide to give your child an allowance:

1. How much does the child need? How old they are and what they'll use it on affect this decision.
2. How much can you afford to give? If your finances are tight, it's important to set boundaries. After all, it would be a bit silly if your child has more "spending money" than the household.
3. How much can they safely handle? Age also plays a factor here. If your child is too young, they may not be able to handle a large sum of money safely.

After you have decided on the amount, here are things you need to keep in mind as you give allowances:

- Be consistent. Give at a set time and a set amount.
- Adjust the value as your child grows and their life situation changes.
- Don't make it a habit to give extra spending money. Save it for special occasions such as family vacation.
- Don't give and forget! Check in with your children periodically to see how they're utilizing their

allowances for saving, spending, and investing.

Step 6: Teach Them Personal Responsibility

This is perhaps one of the most important steps in teaching your children about money. If you happen to ignore all the other steps but nail this one down completely, your child will most likely be perfectly competent in money matters.

Teaching personal responsibility involves creating a value system for your child. The values you should impart are important skill sets such as self-discipline; the ability to think about and solve problem on their own; and the ability to admit to mistakes and learn from them.

Here are a few things to keep in mind:

1. Have reasonable expectations for your child. Don't expect a 30 year-old job performance from a 10 year-old.
2. Teach the skill until it becomes a habit. Everything after that will become more automated.
3. Teach by example. Assume your own responsibility and show your child how to be a responsible person.

When your child develops a responsible value system and better understands the worth of possession, the worth of hard work, and the worth of time — everything else, including money matters, will fall into place.

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6 Responses to “Six Steps to Teaching Your Children Better Money Skills”

Misti Says:

[June 6th, 2007 at 6:41 pm](#)

Thank you! This is a great article. I've already ordered some of the comic books for my son. I had no idea they had Money Camp. That's cool.

I'm still trying to teach my son how to save but it's taking some time. You gave a lot of great ideas to help me teach him easier.

I know they don't teach money concepts in school but when I was in junior high they had a Business 101 elective course or something like that. I took that class and it taught me so much about money. I would highly recommend that all parents talk to the school and see if they have

this class. I learned how to write checks and keep balances, how to read stocks in the paper, and make payments on time.

[Cap](#) Says:

[June 7th, 2007 at 4:27 pm](#)

@Misti: You'll definitely enjoy those comics (because I did, and I'm a lot older than your sons, I bet). Some of other free comics aren't so good though, but the three mentioned were enjoyable and informative.

Financial education is definitely lacking in our public education system, although I believe some states do have mandatory financial course requirement in high school (although how effective they are is up for debate).

At the end, I believe that a parent can influence a child's financial mentality much more than school or an online article could.

April D Says:

[June 25th, 2007 at 8:15 am](#)

What are your terms for reprints? I work for a not-for-profit, and we have a monthly article called Insights for Parents that we also translate into Spanish, and I'd love to use this article (with full credit to Mint, of course).

Please e-mail me if you are open to reprints.

[Cap](#) Says:

[June 25th, 2007 at 11:37 am](#)

April: Thanks for contacting. We'll be more than happy to let you reprint it, will email you with the details.

[Debby H](#) Says:

[November 20th, 2007 at 5:43 am](#)

Appreciate the article, especially about teaching children personal responsibility. At www.childnparent.com I have written a series of articles on Money Matters for children. I have even outlined a plan for how parents can create a "real world experience" for their child at home. The implementation of a money matters plan at home is essential in raising a money responsible child. Check out my articles today at www.childnparent.com.

James Klich Says:

[December 10th, 2007 at 1:33 pm](#)

I have a disabled adult in the home who is 26. They are not good with their money. He goes through his money too quick and loses money also. I give him all one dollar bills and that has helped some. He still needs help. I will try this pages advice to help them.

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