

Teaching Children about Money

Our children today have little concept of money. They see us pull out “the card” for most of our purchases or drive up to the automated teller machine and press a few buttons to access what they think is an endless supply of cash. And when they see us purchasing luxuries such as a 42” plasma screen, the latest fancy cell phone, or a GPS for the car, they don’t understand why we won’t buy them the latest toy they want.

For a moment, imagine this scene: an adult and child are in a store and the adult tells the child “no” to a purchase he wants. The child then throws himself on the floor in a fit because mom won’t buy him the toy. Mom then becomes upset because she begins to feel resentful that her child doesn’t seem to appreciate all that she’s done for him or purchased for him up to this point. In the back of her mind she is thinking about all she’s purchased in spite of the fact that she struggles to get by with the little money she brings in each month on her own. Her feeling of resentment then turns into anger and she yells at him that he doesn’t appreciate the toys that he just received for his birthday a few weeks ago. The fit then turns into a tantrum and before you know it, she’s scolding him or even spanking him to stop his tantrum. She can’t handle the scene any longer and either drags him off to the parking lot or gives in and buys him the toy. Within a few days or weeks, she calls my office to find out when my next parenting class is because she’s tired of these episodes and doesn’t know what else to do.

Children can’t possibly know what our financial burdens and obligations are. We should not expect them to and we certainly shouldn’t be using guilt to make them feel bad for not appreciating what we buy them. Instead, we should avoid buying our children (and ourselves) too much in order to teach them about living within our means. We should also institute and maintain a plan in the family to teach our children how to handle money appropriately. Here is one possible solution to begin this process that I used with my children.

SETTING UP A TOOL. Purchase yellow mailing envelopes that measure approximately 6” x 9” and place them in a 2 or 3-ring binder. The exact size doesn’t really matter, as long as they are big and strong enough to contain dollars and coins. You may have some of these items around the house. Place four envelopes in each child’s binder and allow them to personalize their binder with special drawings about money. Avoid telling them how to decorate the binders and allow them to create what comes to mind for them naturally about money. Each envelope will have a percentage and a title.

THE ENVELOPES. The first envelope should be titled **TITHING** or **DONATIONS** and should have 10% on it. Making this envelope first will teach your child that giving money away to others in need comes before satisfying personal desires. If you are not a religious person, tithing doesn’t have to mean giving to a church. The money in this envelope could be used to give to any charity. The second envelope should be titled **SPENDING** and have 20% on it. Money in this envelope could be designated for anytime that the child wants to spend money, for example, when going on shopping trips with an adult or when the ice cream truck is in the neighborhood. The third envelope

should be titled SHORT TERM SAVINGS and have 30% on it. Money saved in this envelope will be for saving for something the child may wish for and purchase within a year or two. Examples might be: a new toy, game cartridge, or money for spending on a school trip. Allow the child to draw or cut out a picture of something they would like to spend this money on and paste it onto the envelope. You may even want to put the price of this item on the envelope as a target amount to save for. The fourth and last envelope should be titled LONG TERM SAVINGS and have 40% written on it. Money saved in this envelope should be removed and banked on a monthly or quarterly basis. I suggest there be no target for this except to save and record the deposits as they are made. You may even want to make a rule that this money can only be withdrawn with your permission.

IMPLEMENTING THE PRACTICE. Every time the child receives money as a gift or a monetary reward for service, it should be broken down by the percentages on the envelopes and deposited into them. Parents may want to build a cash box and store it away, ready for making change for the child. Implementing this practice with your child, even if they are too young for math, will begin to teach her about percentages and will help establish a foundation for savings and spending. When the family goes to church, allow the child to empty whatever is in the TITHING envelope and bring it along to donate. If you don't attend a church, then on occasion, allow your child to donate the contents to a charity.

CHORES AND ALLOWANCE. I do not support children getting allowances. I believe that parents will be more successful at raising cooperative kids if everything the children does to help out is NOT rewarded with money. I recommend that parents identify basic chores that every child must do without reward. These should be done for the simple fact of cooperating and contributing to the home and the family. Children can however, be rewarded financially when completing assignments that go above and beyond basic helping chores, such as working in the yard, helping to clean or organize the basement, or helping a parent with an office or paper-based task like filing papers.

World renown inspirational speaker and best selling author Dr. Wayne Dyer has a wonderful book for parents to read to their children about money. The title is; *It's Not What You've Got! Lessons for Kids on Money and Abundance* from Hay House Publishing and it expands on ten valuable lessons we can teach our children on money.

Bill Corbett is the author of the book "Love, Limits, and Lessons," and the executive director of Cooperative Kids. He has three grown children, two grandchildren, and lives with his wife Elizabeth near Hartford, Connecticut. You can visit his Web site www.CoopeativeKids.com for further information and parenting advice.