

How to Teach Your Kids to Save Money



Your kids can learn how to save money easily, especially if you teach by example. Handling money offers people of all ages the opportunity to make effective decisions for their future. The everyday spending patterns that you employ can educate, motivate and empower your kids so that they effortlessly learn to become regular savers. Teaching children how to invest at an early age will enable them to be smart about their money so that it becomes automatic that they keep more of the money that they work hard for.

Introduce Money Early

As soon as they can understand how to count, introduce your kids to money. Actively and regularly provide them with information about finances. Use shopping trips as opportunities to teach about money. When you make purchases with them, explain the process. Demonstrate to kids early about planning purchases ahead of time to get the best deals. Show them how to assess value and quality when shopping. Let them participate in transactions so that they understand the give and take system.

Differentiate Between Needs and Wants

Explain to your kids about the value of money by ensuring that they understand its importance. Let them know that everything you have in your house, the food you eat and the things you do, all cost money. Show them the difference between something that is needed, such as food from a grocery store, and something that is wanted, such as eating at a restaurant. This will help them understand that there are choices and alternatives when making decision purchases.

Allowance

Establish an allowance for your kids. In exchange for chores done that contribute to the family (rather than simply cleaning their room), offer an amount of money that is realistic for them to spend within a week's time. Give them small bills so that they can easily be shown how to set aside some of it in a piggy bank. Reward kids with extra allowance whenever possible and encourage them to save it for something they want. Design incentives so that they are motivated to earn more and save more.

Savings Accounts

When your child asks to buy something, explain that they can save for it with their allowance. Show your kids what a savings account is and explain how it grows over time. Demonstrate what a savings bank account can be used for, like emergencies, major purchases and long term savings. Take your children to the bank to open a savings account. Explain how interest works and encourage them to set aside part of their weekly allowance to put into the bank account. For example, if the allowance is \$5 a week, suggest that \$1 be set aside for savings.

Schedule Money Discussions

Create a regular schedule to have discussions about family finances. Talk about spending in the home, savings accounts and interest earned. Discuss what things cost and demonstrate ways to save money by being careful about things like wasting food and other resources. Use this opportunity to teach kids about differences between cash, checks and credit cards. Demonstrate wise spending decisions and habits. For example, heed warnings on using credit cards liberally and teach them that when used, credit card balances should be paid off monthly before interest charges incur. **TQR**

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