

Talk to Your Children About Money Sense



It's summertime and the kids are out of school spending money as fast as you can earn it. Maybe this is a good time to sit down with your children to talk about the three stages of money: Earning, Saving and Spending. You may not need to spend a lot of time on the last stage as they have probably already mastered it.

Earning Money

Your teenagers may already work to earn their money, and your younger children may earn an allowance by doing chores around the house. Earning money provides them a sense of accomplishment.

Saving Money

After earning money, your children should learn to save some money from every paycheck or allowance. Introduce your child to your local community banker and encourage them to open a savings account.

Teach your child the importance of goal-setting when handling money. It is often easier to save money if you have a long-term goal, whether it be for a new toy, a new car or saving money for college.

Spending Money

While your children may know how to spend money, they probably need some guidance on spending their money wisely.

Teach your children the importance of spending their money wisely and encourage them to keep receipts for all of their purchases throughout the month. At the end of the month, sit down with them and review the receipts and let them decide if they made wise decisions in spending their money. They won't always make wise decisions, but like adults, they will learn from their mistakes.

Whether it is parents feeling guilty because they spend so much of their time at work, or whether they are trying to ensure their children's status among peers, parents are doling out money more freely than ever.

Additionally, companies have started catering to their biggest market—teenagers. A recent report by Equifax showed that American teens spent \$179 billion in 2002. Additionally, nine percent of young adults between 18-23 years of age are delinquent on their credit card balances.

Make financial education a priority in your family. Some parents prefer that their teens carry a credit or debit card instead of cash. Before entrusting your teen with one of these cards, make sure they understand how to use the card wisely. They need to understand surcharge fees, the importance of paying their credit card bill on time, paying as much as possible on their account to minimize interest fees and protecting their card from thieves. It is advisable to put a low credit limit on the card so that they will not fall too deeply into debt.

The FDIC has an interactive computer-based financial education program. It is free, easy-to-use and is available in both English and Spanish translations. This program enables both children and teens to have a "virtual" experience with a bank. To access the web version of Money Smart®, go to www.fdic.gov/consumers/consumer/moneysmart/mscbi/mscbi.html.

When talking with your children about money, be sure to include them in the discussion rather than turning the discussion into a lecture. Most importantly, let your children feel secure in knowing they can always come to you for financial advice and guidance.

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