

# High Return Lessons on Money

The end of the school year marks “spending season” for many parents. They end up handing out hundreds of dollars for vacations, camps, trips to the pool, toys and treats.

If your children are constantly asking you to buy “something”, why not take this summer to have some fun teaching them about the value of money? (It will be more fun for you than your children, but you don’t have to tell them that.)

Here are some things you can do to change your child’s attitude toward spending money.

At Home

## ***Expel the “Money Grows in Your Wallet” Myth***

Teach your children money is a reward for working hard. If your child is a teen she/he can get a job this summer. It can be at a fast food restaurant or a clothing store, but it doesn’t have to be. They could offer to walk the neighbour’s dogs, baby-sit or mow lawns.

If your children are still too young, give them some chores like sweeping the floors, washing the dishes or emptying the dishwasher, weeding the garden, setting and clearing the table, taking out the garbage, etc.

Pick a day of the week to give your children an allowance for completing their chores and give regularly and consistently. You can start giving an allowance as soon as you hear your child say, “I want”, “I want”, which is usually around the age of three or four.

It is important for your child to have an allowance so they learn to manage money. If they don’t have any money, how can they learn to manage it? The amount you give is up to you. You may want to give an amount equal to their age. For example, you could give \$3 a week to a three year old.

Explain to your children you too work hard to earn money to buy things the family needs.

At a Financial Institution

## ***Show children how money really grows***

Now that your child has some money, bring them to your financial institution and get them to open a savings account in their name if they don’t already have one.

Many parents open their child’s first account when they are born or when they start school so they have a place to save their birthday and Christmas money.

Choose a monthly savings account so your child can watch their savings grow each month since interest is paid monthly.

Encourage them to save part of their earnings for something they want like a new skateboard, a jacket or a class trip. Some parents make saving money more enticing by offering to match the child’s savings dollar for dollar.

Don't forget to explain to children how a debit card works. Children hear their parents say, "I don't have any money. We'll use the debt card instead." This leads them to believe it is like a credit card. Explain money has to be earned and put into an account before it can be spent. Then let them make their own deposits, withdrawals and purchases.

For birthday or Christmas gifts you may want to consider buying your child a stock, savings bond, GIC or mutual fund. Your child can watch their money grow and learn about investing at the same time.

At the Mall

***Say "buy-buy" to shopping tantrums***

Now that your child has an allowance, the next time you go to the mall and they ask you for a chocolate bar or new toy, for example, tell them they can have it, if they want to buy it. You'll be amazed at how fast your child's attitude toward spending money will change.

While shopping, especially with younger children, explain why you buy the cheaper or more expensive items. This will teach your children how to look for the best quality at the lowest price. You can also show them how to read price tags and compare prices.

Some parents teach young children how to count money and the importance of giving and receiving the correct change by getting them to pay for purchases at the counter.

Budgeting

***Where does all the money go?***

Once your children are about 10 years old, they can help with the family budget. The only tool you need to teach them is some change or you could even use Monopoly money.

The total amount of money you use will represent the family income. Make a list of your expenses including your home, car, food, electricity, clothes, entertainment, etc. and then place the money into piles representing each expense.

Your children will be able to see from the piles where the family's money goes and how much is left over after the bills are paid.

Get them to help budget the "fun money". Maybe your family will decide to spend less on movies and dining out and instead save for a family trip. Whatever you and your children decide, they will be more understanding of why you can or can't afford certain things.

Gifts and Loans

***Teach children the difference before it's too late***

When you give your child a gift tell them it is a GIFT. For example, if your child has been completing all their chores grumble-free and he/she is close to having enough money to buy that special something, you may decide you want to give them some money. Tell them it is a gift.

If your child asks you for money to help pay for something, tell them it is a loan. Make sure they tell you how they are going to repay the loan and when they will repay you. Then make sure they do.

If you aren't going to charge interest, explain to your child that normally there would be interest, but because you're their mom or dad the interest is a GIFT.

Although this exercise may seem harsh consider this. We have had several young adults come in with a "hard luck story" about how they can't pay back their loan. But in the real world a hard luck story won't cut it. Do your child a huge favour and teach him/her this lesson when the consequences don't involve hundreds of thousands of dollars of debt.

When You Lose A Job

***What to do when financial situations go bad***

The worst thing you can do if your financial situation takes a bad turn is to hide it from your children and try to maintain your lifestyle with credit cards. This is the road to a lot more stress and a lot more debt.

When your lifestyle changes everyone has to make sacrifices. Of course, you don't have to give your children all the details, but you do have to sit them down and explain someone lost their job or someone's sick and there is less money. Everyone will have to do their part to try and spend less and save more. Let them come up with some solutions like buying jeans at Wal-Mart or Zellers instead of Gap.

By following all or even some of these strategies, you will save yourself financial stress. You will also be teaching your children valuable financial lessons they will use throughout their life.