



Consumer Tip April 2016: Coach Your Kids to Financial Literacy



April is National Financial Literacy Month.

It's the perfect time to start talking to your kids about financial education and basic money matters. Parents are responsible for setting their children off on the right financial foot. However, research shows that only one-third of parents discuss financial issues with their kids. Additionally, only one out of seven parents believe their children have a solid understanding of financial matters.

The majority of children determine their attitudes about money by the time they finish the fifth grade. While schools are beginning to recognize the need to teach personal financial education to kids, many don't have programs in place yet. Whether parents realize it or not, children learn by watching the financial decisions made at home. It's never too early to start teaching your children about money. Below are basic tips to help kids begin on the path to financial success.

The Jar System

Especially for younger children who don't yet have a savings account at their local bank, the jar system can be helpful. Young children are encouraged to set aside their money in three jars—one for short-term spending, one for savings and one for charitable donations. Having clear jars is a good visual for kids to understand how money grows with time. With your child you can determine what goes in each jar. For example, allowance money can go in short-term spending, birthday money can go in savings and money earned through chores can be split between the three jars. Pick a charity your child is interested in—perhaps the local humane society if your child is an animal lover—and go there together every few months to donate the money. This will help emphasize the importance of giving back by letting them see the impact firsthand. For the savings jar, set a goal for something your child is building toward so it's a tangible goal.

Open a Savings Account

Once your child is a little older, it's time for a savings account. If he or she has shown the ability to manage the three jars, especially the savings one, an elementary-age child can open a special kid's savings account that most community banks offer. They will feel special going to the bank with mom or dad to open the account and then again every few months to deposit their saved money.

Help Teens Establish a Credit History

If you have a responsible teenager, a credit card is one of the best ways to help establish a credit history. The length of one's credit history is factored into the credit score. If the child is under 18, an adult will need to be a co-signer on the credit since minors do not have the legal capacity to contract. Perhaps your teenage child only uses the credit card for gas, and then it is paid in full every month. That is a good way to teach your child about interest, late fees and other pitfalls that come with a credit card.

Teach by Example

Have your child sit with you at the beginning of every month when you create your budget and again at the end of the month when you're paying bills. Look at how much was actually spent in certain categories versus what was planned, and discuss how to improve the next month. This is also an opportunity to teach them about online banking as most consumers pay at least a portion of their bills online. Parents can also do small things like clip coupons before they go to the store or wait until something is on sale to buy it. This will instill in children the importance of looking for a good deal. Small things like this can shape how children view money and more importantly, how it is spent.

The good news is that it's not difficult to start teaching your child about finances—it merely takes effort. Encourage them to ask questions along the way and make suggestions if they have them. This will be a good exercise for both parents and children, and it will help ensure everyone in the house has a good financial understanding.

This information is provided with the understanding that the association is not engaged in rendering specific legal, accounting, or other professional services. If specific expert assistance is required, the services of a competent, professional person should be sought.