Raising kids to be smart savers and spenders

Let's face it, our children are enthusiastic consumers. From a very young age, they see advertising messages telling them what food is the coolest and what latest electronic device is impossible to live without. Even



children as young as three are able to recognize logos and request specific brands! Compound this pressure to spend with rising education costs and suddenly it is not surprising to see many young people graduating from university or college with crippling debts. The average Canadian student now begins his or her working life with a debt load around $27,000.

It is becoming increasingly important for our children to learn good money management skills and the consequences of debt. We want them to control their money instead of their money controlling them. But where to begin? The secret is to start early. Consider the following tips:

- **Teach kids that money has to be earned.** This applies to their allowance. Start young with age-appropriate chores. It will also teach them responsibility, how to follow instructions, and time management skills. Chores prepare children for later jobs outside the home and instill a work ethic that will help them excel in adulthood.
- **Encourage saving.** Have your children save at least 10 percent of the money they receive from allowances, gifts and work.
- **Go to the bank.** Take your children to your bank or credit union and have them open their own savings account. Every time they deposit money, they will see their savings grow. Let them withdraw money to purchase something they have been saving for. Allowing older children to withdraw small amounts via an ATM machine will demonstrate the impact of bank charges – and their bank balance!
- **Give kids control.** Allow kids to spend their allowance as they wish. If they spend it all within a day, be firm and do not give in to pleas for more money. They will soon understand the concept of budgeting.
- **Explain wants versus needs.** This is an important concept in our consumer society. Your teens may want the same smartphone or video game as their friends but they need to understand that these things are wants and have to be saved for. Learning to save for an expensive item will help them to not impulsively use credit later in life.
- Comparison shop. Make it fun. Take your young child grocery shopping and have him or her find items from the grocery list that are cheapest. If considering a larger purchase like a new bed, have an older child go online and source the best deal.
- Get your kids involved in household money management. Enlist their help in paying the bills. Even a very young child can open envelopes. If they can read, they can identify what the bills are for, and circle the amounts payable and the due dates. This gives them an appreciation of routine living expenses, as they may not realize we must pay for services like water or electricity.
- Be an example. One of the best things you can do is let your children see that you are a good money manager. Show them that you budget, comparison shop, save and take time when considering major purchases.

Helping our children learn a good work ethic, the difference between needs and wants, how to set goals, budget, and save their money will increase the probability that throughout life, they will be able to reach their financial goals and make their dreams a reality.