

Quick Reference Series

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Positive Family Financial Habits

The following tips, organized by age level, are recommendations only. Use your best judgment before practicing a milestone with a child, based on his or her maturity. This is a progression of developing skills and practicing habits. Build upon each milestone as your child ages. It is also important that you model these skills for your children at home. Keeping open communication at all times helps your child build positive financial habits leading to a bright financial future.

Young Children: Building the Foundation

Age 5 is an ideal time to begin learning the basic concepts of good spending and saving habits.

Shopping Sense

Take your child to the grocery store. Talk about the cost of different items. Together, use a calculator to help find the best values while shopping.

Wants vs. Needs

Discuss items that are nice to have versus items that you need. Show your child examples of each item. Discuss whether it is a need or a want.

Comparing Prices

Use cash or coins to demonstrate the cost of items. Compare the cost of the items together. Talk about the difference in price.

Money Doesn't Grow on Trees

Explain that you work to make money, and a credit union or bank is a place that keeps it safe. When children see bills pop out of the ATM, they do not realize that money is a finite resource.

Saving Is Cool

Give your child a small amount of coins or cash to start a savings account or place in a piggy bank or save jar. Once your child has enough saved, go shopping together and pay the cashier. Saving and working toward a goal is extremely rewarding for a child.

Giving

Have your child consider donating to a charity. Explain money is used to help people. The act of giving is more important than the amount, and is a powerful way to serve your community.

Young Children to Tweens: Budgeting Basics

Your child is ready to learn about currency and more complex budgeting concepts.

Allowances

If possible, consider giving your child a small amount of money to budget. This will help to develop responsible money habits and money management skills.

Making Change

Practice making change. Use a calculator to imitate a cash register. Children at this stage should learn the value of different denominations of currency and how to make change.

Short- and Long-Term Goals

Encourage your child to set short- and long-term savings goals. Determine together how much to set aside for more costly items or for a future savings account. For example, explain that a new bicycle is a short-term goal and college and a car are long-term goals.

Save Early

Work together to save! Children are usually too young for checking accounts at this age, but you can open a savings account in their name. If school banking is an option, your child can open and manage that account.

Tweens to Teens: Moving Up

This is a great time to introduce more complex financial topics to help your child develop positive money habits.

Checking Accounts

Prepare your child to manage a checking account by demonstrating how to write a check, record transactions, and make payments and withdrawals in a register.

Odd Jobs

Teach the importance of working hard for money. Children may enjoy earning extra money by mowing lawns, gardening, or babysitting. Use this opportunity to have them make decisions about spending, sharing, and saving this income.

Credit Concepts

Discuss borrowing, lending, and how credit cards work with your child.

How Fast Money Grows

Teach the magic of compounding interest: small amounts saved when you are young will significantly grow.

Use Albert Einstein's Rule of 72: 72 divided by the interest rate equals the number of years it will take your money to double. For example, if your interest rate is 4%, your money will double in 18 years (72 divided by 4 = 18).

Consumer Spending and Comparing Prices

Teach your child unit pricing and the importance of comparison shopping.

Young Entrepreneur

Invest in resources to teach your child basic entrepreneurship skills if you have a motivated child. Basic business concepts are excellent topics for some children.

Teens ... On Their Way

Teens need to learn financial skills to prepare for adulthood. Financial goal setting, banking, budgeting, credit, and investing are key topics.

Investing in the Future

Discuss investing! The teen years often present the best opportunity to learn about investing in their human capital; planning and saving for higher education; retirement accounts; certificates of deposit, or share certificates, and stocks. They should know the difference between public and private education loans.

More About Credit Cards

Use credit cards responsibly. Build positive credit habits by teaching your child that paying off the card each month is extremely important. Teach them that credit card debt has high interest rates and works against asset growth.

Checking Accounts

Make sure that your child knows the difference between debit and credit cards. Determine if your child is ready and responsible to manage a checking account.

Employment

Explain the different parts of a paycheck and the difference between gross and net income. Part-time jobs, odd jobs, or even a business may help foster responsible money and business management skills.

All Money is Real Money

Think of credit cards and loans (student loans) as you would cash. Paying with a credit card or with a loan is a commitment to pay with cash at a future time. Interest and other charges make credit cards and loans more costly. Teach them to be informed consumers.

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