Getting Schooled: Are You Teaching Your Kids These 6 Financially Savvy Habits? Ron Carson Contributor Aug 30, 2019

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Most parents would agree that preparing children for a lifetime of independence is a fundamental goal and responsibility. It's also a leading reason why we celebrate our kids' milestones—big and small—from their first steps, to their first day of school, to graduations, birthdays and more. Each step forward brings them closer to becoming confident, self-sufficient adults. Yet, *InvestmentNews* reports that, compared to other nations, we fall short when it comes to preparing children to become financially independent. Although the U.S. is the world's largest economy, the Standard & Poor's Global Financial Literacy Survey ranks it 14th (tied with Switzerland) when measuring the proportion of adults in the country who are financially literate. To put that into perspective: the U.S. adult financial literacy level, at 57 percent, is only slightly higher than that of Botswana, whose economy is 1,127 percent smaller.

Experts in economics and education have long advocated for schools to provide courses on personal finance, but the emphasis has been on high school and college. According to the Consumer Protection Bureau, children are ready to learn basic money management skills as early as age three—which means we are leaving a lot of years on the table. Based on the Bureau's research, skills such as "planning ahead, waiting for things they want and finishing what they start" form the foundation for behaviors that support financial well-being later in life, such as goal setting, saving for the future and sticking to a budget.

Whether your children are eight or 18—or anywhere in between—it's never too early or too late to teach them practical money management skills. But where do you start? That can be challenging for parents and educators who may not view themselves as financial experts. Fortunately, there are a growing number of programs and resources designed to increase financial literacy at all ages, many of which incorporate games, mobile apps and other technology to engage children and young adults.

The following six tips can help you and your kids get started developing positive money management habits and behaviors that last a lifetime.

1. **Don't be afraid to reward good behavior**

Over the years, I've heard many parents equate paying for chores with bribes. They want children to understand that as members of a family or household, everyone needs to chip in and contribute, whether that's picking up toys when they're finished playing, cleaning their rooms, helping to put the groceries away, doing their own laundry once they're old enough, etc. Fortunately, there are many ways to reward the positive behaviors and life skills you're trying to teach your children outside of an allowance or other monetary rewards. Maybe that's extra time to play outside with friends, the right to choose Friday night's dinner menu, watch TV, or play a video game, depending on your family's values.

I know one family that employs a "hybrid" system that works well for them. The kids aren't paid for routine chores (making their beds, taking out the trash, putting their dishes in the dishwasher after meals), but on the weekends, each child can pick from a list of age-appropriate chores with a set monetary value. Tasks might include organizing toys into bins, vacuuming the playroom or helping with yard work. If one of the kids does an exceptional job, the parents may choose to add a small "bonus" on top of the agreed-upon value for that chore.

Keep in mind that rewarding and incenting positive behaviors at home can help prepare children for the world they're about to enter as students, and later, as members of the workforce. As soon as they begin school, children quickly understand that we live in a world that encourages and rewards positive behaviors and accomplishments through test scores, grades and other incentives, and once they enter the workforce, through salaries, promotions and bonuses.

While it's important to establish a reward structure compatible with your family's values, in many cases, a system that includes paying for certain chores can help children better understand:

- The value of money and where it comes from

- The importance of saving for things they may want later
- How to make better spending decisions

Mobile apps like Our Home and iAllowance can be a great way to get the whole family involved in assigning and tracking chores, ultimately making them more fun to complete.

2. **Help kids develop their own spending and savings plan**

You don't have to wait until kids enter the workforce to help them develop a budget. Whether they receive cash for chores completed, or in a birthday card from the grandparents, it's important to teach kids about saving a portion of what they receive from an early age.

As adults, we know that a budget is the only effective tool for determining how much money is coming into our households versus what's going out, in an effort to strike a balance between income, spending and savings. The earlier this concept is introduced to children, the more likely they'll develop strong savings habits. Think of a budget as your child's financial launch pad—the foundation he or she will use to build toward financial independence. By maintaining a budget, kids learn the importance of setting and achieving short- and long-term goals.

For small children, consider the bucket system. Provide separate containers for spending, savings and charitable giving, depending on your family values. For each dollar that comes into their possession, help them decide how much goes into each bucket. This is a great way for small children to visualize the budget process while watching their savings add up over time.

You may also want to open an interest-bearing savings account for each child. Many banks and credit unions offer low-fee or no-fee, interest-bearing accounts for minors under age 18 with a parent or guardian as the custodian. Minimum investment requirements on some accounts are as low as $25. Some also offer online tools for parents to help their kids set goals and watch their money grow.

For teens earning money through babysitting or mowing lawns, or their first paid after-school job, there are literally dozens of budgeting apps available for their smartphones. Many connect directly to online bank accounts to deliver real-time savings and spending updates to users.

3. **Empower kids to make responsible financial decisions**

It's important to teach kids that every time they spend money, they're making a choice. Back-to-school season is a great place to begin discussions about the difference between the things you really need and the things you simply want.

Start by establishing a back-to-school budget for clothing, supplies and other necessities, based on what you are comfortable with, and get your kids involved in both the budget process and spending decisions.

- **Make it personal**. Break your overall budget down by child, so each can see how much you've allotted by category for clothing, shoes, school supplies, etc. Knowing they have a finite amount to spend can empower kids to make better spending decisions, whether you're shopping together online or at the store.
- **Introduce the concept of trade-offs**. This can also be a great time to teach kids about trade-offs—something they will encounter for the remainder of their lives. For example, if they *absolutely, positively* have to have the more expensive backpack, where will the extra money come from? Are they willing to purchase less expensive shoes or jeans? One less t-shirt? Or a less expensive set of markers?

Carry these lessons through to the holidays as well. If your kids' holiday wish lists exceed what you've budgeted for holiday spending, don't be afraid to have that discussion. This can help determine which items your kids really want versus those they're less enamored with.

4. **Teach children about credit from an early age**

Technology continues to make it easier to introduce financial concepts to children at younger ages, including tougher concepts to grasp, like credit and debt. Kiddie Kredit, an app targeting kids who complete chores, teaches the basics of credit. Successfully completed chores, approved by a parent, count toward a specific "kredit score." Kids can also redeem their "kredit" for non-monetary rewards that you define, such as a trip to the local zoo or staying up an hour later on Saturday night. The scores are assigned based on how well the child completes their chores. This encourages children to do their best job instead of just completing chores half-heartedly. And if they use too many points, their score will be damaged, similar to how credit utilization affects a regular credit score.

5. **Introduce the power of tax-deferred compounding**

Did you know there's no minimum age limit to make an IRA contribution? To be eligible, you must have earned income in an amount that equals or exceeds the amount of your IRA contribution. Earned income is the taxable compensation you earn from working (wages, salaries, tips, and net earnings from self-employment income). For minors, as a general rule, income earned from household chores doesn't count.

There's no substitute for investing early in a qualified retirement plan. That's because earnings are tax-deferred, meaning they're not taxed as ordinary income. This allows earnings to grow at a faster rate than they would in a comparable, taxable savings account. The earlier a person begins saving, the greater the benefits of tax-deferred compounding.

Once children are out of school and working full-time, encourage them to participate in any employer-sponsored workplace retirement plans they are eligible for as early as possible—even if they only save a small amount each month. If they don't have access to an employer plan, encourage young adults to open a Roth IRA, which can generally be done with as little as $1,000. Some financial institutions will waive the minimum investment amount altogether if the account owner signs up for regular, automatic contributions.

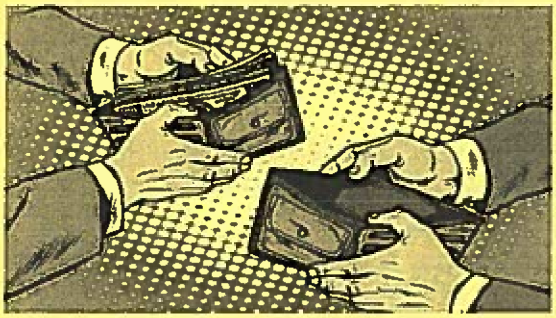
As with all qualified retirement plans, withdrawals made prior to the account owner reaching age 59 ½ may incur penalties. So encourage older children to work closely with a trusted financial advisor to understand how these and other financial accounts work.

6. **Set up a meeting with your family financial advisor**

Speaking of working with an advisor, sometimes it's easiest to start with your own. As parents, it's not unusual for well-meaning financial advice to meet with resistance or simply a lack of enthusiasm from teens or young adults. That's an area where your financial advisor may be able to help. As an objective third-party, and someone who understands your family's financial goals and challenges, your advisor can answer questions, share knowledge and help guide young adult children toward adopting sound financial habits.

Your advisor can help educate your teen or young adult on basic financial concepts, such as budgeting, credit and debt management, and saving for retirement, to help ensure they have a solid foundation in place for managing their own finances, and the knowledge required to be good stewards of any assets you may pass down to them later.

If you're a young adult just starting out in your career, or a parent with young adult children, download this free guide from Carson Wealth for tips on how millennials can get started on the path to the confident financial future that they seek, including how to balance college debt with home ownership and other important goals like saving for retirement.



10 Things Financially Successful People Do Differently

Financially successful people do things a little differently than the rest of us. They typically have a more positive mindset, take personal responsibility for their wealth and business success, and they are willing to sacrifice short-term benefits for longer term gains. They are lifelong learners and surround themselves with positive people who also believe in the benefits of education and good work ethic. *They come from all walks of life and all income brackets, but they share a similar set of attributes that set them apart from the rest of us.*

1. THEY DON'T WASTE TIME WATCHING TELEVISION – Wealthy people watch very little television a day and almost no so-called "reality TV". They spend their time wisely working on their business and not wasting it on the couch.

2. THEY MAKE SACRIFICES – Wealthy people live frugally at first in order to invest their limited income and resources into something that will make them more money. Some wealthy people, like Warren Buffet, live this way their entire lives. They have modest-sized houses, drive used cars and don't waste money on flashy status symbols like boats or expensive sports cars.

3. THEY AREN'T VICTIMS – People who see themselves as victims spend a lot of time complaining and blaming their failures on others. Successful people take their misfortunes or bad decisions and analyze what happened and how they could change the outcome in the future. They learn from their mistakes rather than complaining about it.

4. THEY SAVE AND LIMIT DEBT – Successful people **pay off debts quickly to save money on interest** which accrues over time. So, if you pay off the principle of the loan faster, then interest on that loan is less over time. They also make saving money a priority. Even if it's only $20 a month, saving money and developing it into a habit will pay off later when an emergency strikes. This way, you can cover it with savings rather than paying off an emergency loan which will cost significantly more in the long run. The best way to save effectively is to automate it. Set up a recurring transfer from your checking into your savings. *Before you know it, you will have quite a chunk of change to invest.* Resist the temptation to spend it on a new car or television or expensive clothing.

5. THEY DON'T BLAME OTHERS FOR THEIR SITUATION – Successful people take responsibility for their actions and their fortunes. Rather than waste time and energy blaming someone or something else which might only be marginally responsible, they accept that their fate is their own, and if they want to succeed, then they need to do something about it themselves.

6. LONG TERM PLANNING –Successful people make and stick to long-term financial planning rather than spending their money as fast as they make it.

7. THEY MAKE THINGS OR PROVIDE SERVICES OF VALUE – They aren't just consumers of other people's ideas and products. They produce things. They do things, things that other people are willing to pay for.

8. THEY BELIEVE EDUCATION IS IMPORTANT –Wealthy and successful people believe in education and lifelong learning. They read books of educational value or that are work-related. When they commute, they listen to audio books or news programs.

9. THEY DO MORE THAN THE MINIMUM – Successful people do more than just show up to work, do their job and go home. They get up early and they stay later at work. They go above and beyond to achieve their goals.

10. THEY ARE PASSIONATE ABOUT WHAT THEY DO – Financially successful people get a thrill from making something new, making a customer happy or fulfilling a client's order. They care more about the creation process they are involved in than the money they are making. Financially successful people are disciplined savers who start saving early and often. They live frugally most of their lives. They love their work and do as much as they can, the best way they can. They limit their debts, take responsibility for their wealth and plan long-term. They don't waste time. They don't waste money. They take every chance to better themselves and their abilities.

https://www.powerofpositivity.com/financially-successful-people-differently/

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15 Ways to Teach Kids About Money

https://www.daveramsey.com/blog/how-to-teach-kids-about-money

If you don't teach your kids how to manage money, somebody else will. And that's not a risk you want to take! We'll show you how to give your kids the head start you wish you had and set them up to win with money at any age.

How to Teach Pre-Schoolers and Kindergartners About Money

1. Use a clear jar to save.

The piggy bank is a great idea, but it doesn't give kids a visual. When you use a clear jar, they see the money growing. Yesterday, they had a dollar bill and five dimes. Today, they have a dollar bill, five dimes, *and* a quarter! Talk through this with them and make a big deal about it growing!

2. Set an example.

A study by the University of Cambridge found that money habits in children are formed by the time they're 7 years old.[1] Little eyes are watching you. If you're slapping down plastic every time you go out to dinner or the grocery store, they'll eventually notice. Or if you and your spouse are arguing about money, they'll notice that too. Set a healthy example for them and they'll be much more likely to follow it when they get older.

3. Show them that stuff costs money.

You've got to do more than just say, "That pack of toy cars costs $5, son." Help them grab a few dollars out of their jar, take it with them to the store, and physically hand the money to the cashier. This simple action will have more impact than a five-minute lecture.

How to Teach Elementary Students and Middle Schoolers About Money

4. Show opportunity cost.

That's just another way of saying, "If you buy this video game, then you won't have the money to buy that pair of shoes." At this age, your kids should be able to weigh decisions and understand the possible outcomes.

5. Give commissions, not allowances.

Don't just give your kids money for breathing. Pay them commissions based on chores they do around the house like taking out the trash, cleaning their room, or mowing the grass. Dave and his daughter Rachel Cruze talk a lot about this system in their book, *Smart Money Smart Kids*. This concept helps your kids understand that money is *earned*—it's not just given to them.

6. Avoid impulse buys.

"Mom, I just found this cute dress. It's perfect and I love it! Can we buy it please?" Does this sound familiar? This age group really knows how to capitalize on the impulse buy—especially when it uses someone else's money.

Instead of giving in, let your child know they can use their hard-earned commission to pay for it. But encourage your child to wait at least a day before they purchase anything over $15. It will likely still be there tomorrow, and they'll be able to make that money decision with a level head the next day.

7. Stress the importance of giving.

Once they start making a little money, be sure you teach them about giving. They can pick a church, charity or even someone they know who needs a little help. Eventually, they'll see how giving doesn't just affect the people they give to, but the giver as well.

How to Teach Teenagers About Money

8. Teach them contentment.

Your teen probably spends a good chunk of their time staring at a screen as they scroll through social media. And every second they're online, they're seeing the highlight reel of their friends, family and even total strangers! It's the quickest way to bring on the comparison trap. You may hear things like:

"Dad, Mark's parents bought him a brand-new car! How come I have to drive this 1993 Subaru?"

"Mom, this girl at school got to spend $10,000 on her Sweet 16 party. I want to do that too!"

Contentment starts in the heart. Let your teen know that their Subaru (although not the newest car on the block) is still running well enough to get them from point A to point B. And you can still throw a memorable, milestone birthday party without spending a chunk of your retirement savings funding it!

9. Give them the responsibility of a bank account.

By the time your kid's a teenager, you should be able to set them up with a simple bank account if you've been doing some of the above along the way. This takes money management to the next level, and will (hopefully) prepare them for managing a much heftier account when they get older.

10. Get them saving for college.

There's no time like the present to have your teen start saving for college. Do they plan on working a summer job? Perfect! Take a portion of that (or more) and toss it in a college savings account. Your teen will feel like they have skin in the game as they contribute toward their education.

11. Teach them to steer clear of student loans.

Before your teen ever applies to college, you need to sit down and have the talk—the "*how are we going to pay for college*" talk. Let your teen know that student loans aren't an option to fund their education. Talk through all the alternatives out there, like going to community college, going to an in-state university, working part-time while in school, and applying for scholarships ***now***.

While you're at it, get *The Graduate Survival Guide* for them. It's a must-have resource to help your college-bound teen prepare for the next big step in their life.

12. Teach them the danger of credit cards.

As soon as your kid turns 18, they'll get hounded by credit card offers—especially once they're in college. If you haven't taught them why debt is a bad idea, they'll become yet another credit card victim. Remember, it's up to you to determine the right time you'll teach them these principles.

13. Get them on a simple budget.

Since your teen is glued to their mobile device anyway, get them active on our simple budgeting app, EveryDollar. Now is the time to get your teen in the habit of budgeting their income—no matter how small it is. They should learn the importance of making a plan for their money while they're still under your roof.

14. Introduce them to the magic of compound interest.

We know what you're thinking. You can barely get your teen to brush their hair—how in the world are they supposed to become investment savvy? The earlier your teen can get started investing, the better. Compound interest is a magical thing! Introduce your teen to it at an early age, and they'll get a head start on preparing for their future.

15. Help them figure out how to make money.

When you think about it, teenagers have plenty of free time—fall break, summer break, winter break, spring break. If your teen wants some money (and what teen doesn't?), then help them find a job. Better yet, help them become an entrepreneur! These days, it's easier than ever for your teen to start up their own business and turn a profit.