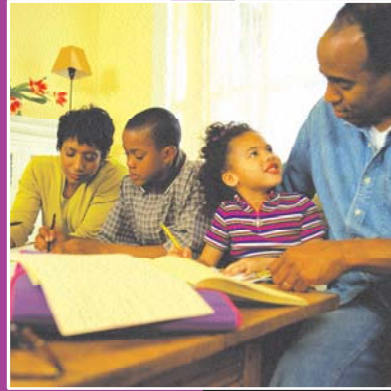


# TALKING MONEY WITH YOUR KIDS



A free publication provided by  
Consolidated Credit Counseling Services, Inc.  
A nonprofit educational credit counseling  
and debt management organization.

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**CONSOLIDATED**  
CREDIT COUNSELING SERVICES, INC.  
*When debt is the problem, we are the solution.*

*Congratulations on taking this important step to a brighter financial future. Consolidated Credit Counseling Services, Inc. has been helping Americans across the country solve their credit and debt problems for more than a decade.*

*Our Educational Team has created over twenty publications to help you improve your personal finances. By logging on to [www.ConsolidatedCredit.org](http://www.ConsolidatedCredit.org) you can access all of our publications free of charge. We have the tools to help you become debt free, use your money wisely, plan for the future, and build wealth. The topics Consolidated Credit addresses range from identity theft and building a better credit rating to how and buy a home and paying for college. On our web site you will also find interactive credit courses, a “Best of the Web” debt calculator, a personalized budgeting tool, and much more.*

*We are dedicated to personal financial literacy and providing a debt-free life for Americans. If you are overburden by high interest rate credit card debt then I invite you to speak with one of our certified counselors free of charge by calling 1-800-210-3481 for free professional advice. We also have partnership programs available where groups, businesses and communities can hold financial workshops and receive free money management guides and workbooks like the one you are reading now. Please call 1-800-210-3481 if you would like to discuss pursuing a personal financial literacy program.*

*Sincerely,*



*Gary Herman  
President  
Consolidated Credit Counseling Services, Inc.*

## **Recent Statistics:**

- 74% of parents give allowances; 66% of those who give allowances tie them to chores; 54% of those who give allowances require their kids to save a portion
- Pre-teens (ages 8-12) spend \$19.1 billion annually, or \$946 per capital
- Businesses spend an estimated \$13 billion a year marketing food and drinks to U.S. children and their parents
- Children in the United States watch an average of three to four hours of television a day and view an estimated 3000 commercials a month.
- Average number of shopping days a year for kids is over 200

“If we aren’t careful, our children will come down with ‘affluenza,’ a disease that causes them to confuse wants and needs. We need to teach our children what my grandmother taught me: Think twice about spending money you don’t have on things you don’t need, to impress people you don’t like anyway.”

— Michelle Singletary, *Washington Post* syndicated personal-finance columnist

## **How Kids Learn About Money**

If you’re like most people, you probably learned about money from the “School of Hard Knocks.” If you were lucky, you may have had parents who talked openly about money with you, and perhaps even showed you how to earn and save money. Perhaps you learned in school how to balance a checkbook, or how interest can make your money grow. But chances are most of your financial education came from your

experiences – both good and bad. How your parents or the adults you grew up with talked, acted and felt about money probably also rubbed off on you in different ways. If they were spenders and always seemed to be living on the edge financially, you may also have trouble keeping a dollar in the bank. Or you may be just the exact opposite – a careful saver who feels guilty about spending a dime. If you never had the opportunity to earn an allowance or get a job, you may have felt powerless and unable to get what you want, and that may have led to overspending when you finally did start earning money.

If you want to help your children avoid the same problems you've experienced, and grow up with good money habits, this booklet is a good place to start. It offers strategies for talking with your kids about money, and teaching them valuable skills that can last a lifetime.

## **Watch How You Talk About Money**

If you find yourself arguing with your spouse or children about money, stop! Your fights may scare your kids, create stress that makes it harder for them to focus at school, or lead to behavioral problems and “acting out.” Not only do kids often blame themselves for their parents' problems, they may also take comments more seriously than they are intended. A child who frequently hears her parents talking about being broke, for example, may think that he or she will soon be homeless.

Talk to your spouse and agree to set some time aside—without the children—to work on your finances. You and your spouse may have completely different views about money, but with some effort, you should be able to find a middle ground.

If money is tight, let your children know that in a non-threatening way. Explain to them what you can and can't afford right now and suggest other ways they can get what they want.

**Tip:** If your family is under a great deal of financial stress, or receiving calls from bill collectors contact Consolidated Credit Counseling Services, Inc., a non-profit credit counseling agency. When you call 1-800-210-3481 or visit [www.ConsolidatedCredit.org](http://www.ConsolidatedCredit.org) a counselor will offer you free financial advice regarding your particular situation and they should be able to work out a reasonable budget and repayment plan.

Watch the messages you may be passing on to your children when you talk about money. Simply saying you can't afford something, for example, may not convey what you really need to teach your child; that you have choices, and that sometimes you must choose one thing over another. Talk about good values and making choices, rather than just dismissing something as too expensive.

Another trap is buying your children gifts, either to make up for the fact that you don't spend enough time with them, or to make up for what you didn't get as a child. If you find yourself in that trap, you may need to look for other ways to give your kids what they really need: love and attention from you.

## **Give Your Kids Their Own Spending Power**

Since most of us learn by doing, an allowance can give your child the chance to learn about handling money, while the stakes are still pretty small. Financial advisors point out that having a regular amount of their

own income is the only way kids can learn to manage money. They also say that the purpose of an allowance is to give your children the opportunity to learn how to manage money through their own successes and failures with the input of their parents.

Allowances can still be a tricky subject: how much, how often, and for what? Ultimately those decisions are yours, but following are some guidelines that may help.

Most experts agree kids can handle an allowance by age seven or so, though some children start receiving an allowance in kindergarten. Only you can really determine whether your child is ready for an allowance and it's best to sit down with them and explain what that responsibility means.

Average weekly allowance from a survey of 1000 children

**Ages 8-9: \$3.74**

**Ages 10-11: \$5.19**

**Ages 12-13: \$6.66**

**Age 14: \$9.45**

*Source: Zillions magazine by Consumer Reports, January 1999*

When deciding how much allowance to give, you'll want to be sure you both understand what the allowance must cover. School lunches? Snacks? Computer games? Extracurricular activities? For older kids you may want to add clothing or other bigger ticket items to the list. Write it down so there is no "confusion" later!

Chores or no chores? Many parents have strong views about whether allowances should be tied to chores. Some parents won't pay an allowance unless the weekly chores are done. Others view chores

as something kids should do as part of a family, and not something for which they should be paid. It's up to you, but whatever you decide make sure that you are consistent and have realistic expectations about what they can handle.

General allowance guidelines that most experts agree upon:

- Be reliable and pay the allowance at a set time each week. (Otherwise you'll forget and the kids will start telling you that you owe them a small fortune!)
- Require them to get in the savings habit by having them set aside a portion of their allowance in a safe place as a savings account. You may also want to have them set aside a portion for charity or other types of sharing (gifts for others, for example).
- Don't hold back an allowance as punishment. Find other ways to discipline your kids.
- When they are older, consider paying interest on their savings to teach them the value of compound interest.
- Require them to spend their money for some of their "needs" as well as their "wants." You may make them pitch in on a new set of sneakers, for example, or even buy a pair themselves if they are old enough.
- Give them a safe place to store their allowance, whether it's a piggybank or a cash box with a key.
- Keep your two cents to yourself. Kids need to be able to learn to make their own choices – and mistakes – with money. Your guidelines always apply, but as long as your child's choices don't violate your families' values or rules for safety, allow them some leeway.
- Pay their allowance in denominations small enough to allow them to immediately set aside some for savings or giving.

- Set a specific amount you're willing to spend on birthday gifts for their friends. Let your child make up the difference if they want to buy something more expensive.

## Teach Your Kids How to Make Money

Many kids know their parents go to work, but really have little idea of what it takes to make money. Learning how to start and run a business may be one of the most important lessons, financial or otherwise, they can learn. They can learn math, marketing, communications, responsibility and a variety of other skills. Even if your offspring end up working in jobs for someone else, they'll be better employees because they understand the challenges involved in having a business.

If your children are old enough to earn money on their own – usually by age 7 or 8 -- help them research business ideas that appeal to them. Assist them as they learn about marketing, keeping track of income and expenses, and following up with customers. Just don't do it all for them! Let them learn what owning a business is really like.

## To Get Started

Visit your local library for a copy of books like [101 Marvelous Money-Making Ideas For Kids](#) by Heather Wood, [Fast Cash For Kids](#) by Bonnie and Noel Drew or [The Young Entrepreneur's Guide to Starting and Running a Business](#) by Steve Mariotti.

## Go With the Flow

Parents often find that their kids have their own money “personalities.” No matter what you try to teach them, one child may be a spender while another is a saver, for example. While it may be frustrating at times, you'll have more success if you recognize their personalities and try to work with them. A child who is a spender, for example, may need you to dole out her allowance over several days during the week, rather than all at once. Or, if they are older, you might need to open a bank account where they can park their money without easy access to it.

If you have a saver who can't bear to part with a penny, you might instruct them to give a small percentage to a good cause of their choice, or let them have more decisions over purchases they must make, like school clothes and supplies.

## Teach Your Kids to Be Resourceful

Your kids may be more willing to help you stretch the family dollar than you realize. Challenge them with helping the family save money – and offer an inexpensive reward. Depending on their age they may help you come up with ideas for cheap meals, be willing to visit the local library instead of the video store for DVD's and CD's, or ferret out places for free recreation. Most kids like the idea of pitching in to help the family, as long as they feel their contributions are valued. Give them the chance.

## Help Them Set Goals

Research by Consumer Federation of America and Bank of America has found that adults with a written financial plan have twice as much in savings and investments as those without written goals – and that includes families with small incomes. Starting this at a young age can help make goal-setting second nature.

Encourage your child to write down what they want, and depending on their age, help them figure out what it will take (allowance, extra income, gifts, etc.) to get there. A colorful chart can make it easy to track their progress as they go along. Celebrate with a special meal or outing when they successfully reach a goal!

Keeping written records of what they've saved, spent and earned can also be helpful for your kids. Not only will it help them better manage their money, it will also help with their math skills!

## Limit Television

Watching a lot of television exposes children to a lot of commercials. In turn, they often want what they see. Consider limiting television, and also talking with them about the commercials they see to help them learn how to distinguish between hype and reality.

A good resource for understanding advertising tricks of the trade is the Consumer Reports children's magazine Zillions. Although it's no longer published, you can view all back issues at [www.zillions.org](http://www.zillions.org). Especially fun is the section "food ad tricks" that shows how food is "made up" for advertising. Vaseline on hamburgers is just one example

you'll find there!

## Use Real Life to Teach Your Kids

There are many opportunities as you go about your day-to-day life to teach your kids about money. For example, you can have your kids help you:

- Calculate the tip in a restaurant. If they are too young for that, let them count the tip or leave it on the table.
- Double check the money you take out of the cash machine by counting it. Ask them to remind you to enter it in your checkbook register when you get home.
- Keep track of what it costs to feed and care for the family pets, or create a budget for a new pet they want.
- Plan a special evening meal within a fixed budget. With your children, plan the menu and shop for the food.
- Clip coupons. One mother lets her child clip coupons and for every one she uses, he gets to keep half the savings!
- Tell them you'll only buy their favorite treats when they are on sale, or if you have a coupon. Show them how to use the sales flyers from the newspapers to hunt for bargains.
- Research prices for something they want by hunting for it on the Internet, or noting prices in a couple of stores.
- Compare prices among the different grades of gasoline at the pump.
- Make a list before you go shopping, and let them help you stick to it!
- When they are old enough, have your child help you balance your checkbook or enter your checks in your checkbook register when you pay the bills (make sure to double check the math!)

## Teach Them About Compounding

Often called the “Eighth Wonder of the World,” compounding can work for or against you. If you save your money in an account that earns interest, compounding works for you by allowing you to earn interest upon interest. If you are paying interest to credit card companies and other lenders, however, it works against you.

Encourage your kids to save, and consider paying interest on their savings until they are old enough to open an interest-bearing account at a local bank or credit union. As your children get older (usually around age 7-9) they may be ready to learn about the stock market and investing. A fun way to get them started is to help them buy their first share of stock in a company whose products they buy. You can also visit websites that teach investing to kids through games and simulations (see the Resources section on page 11). Finally, you may want to get your child started investing in the stock market, either by buying stocks or mutual funds.

## Teach Them About Credit

If your kids do want to borrow from you, teach them how lending works in the real world! Charge an interest rate and draw up an agreement. You can make up payment coupons or use another system to keep track of their payments. Be consistent with it and don't let them borrow again until they've paid off the first loan! Also be careful about letting them borrow too frequently, or too far in the future. It's better to try to get them to save instead.

Avoid borrowing from your children, including from their savings or the gifts of money they receive from others. If you have trouble managing your own expenses, talk with a non-profit credit counseling agency.

It's also a good idea for you to explain to your children how credit and debit cards work. Obviously, very young children will have trouble grasping this concept. They may think that all you need to do to get money is to go to the cash machine! But as they get older you can explain to them how you deposit your pay and get money out when you need it. Around age nine or ten, most kids are ready to open a bank account and use it.

Don't forget to warn your kids about credit card safety and ways to protect themselves from credit card fraud. Avoid giving them your passwords or personal identification numbers to your debit or cash cards unless absolutely necessary.

## Encourage Financial Education

Schools are beginning to adopt financial education programs, and some states have enacted laws requiring financial education in the schools. Talk with your child's teachers, school administrators or parent teacher organization about making sure financial education is part of the curriculum. Visit [www.jumpstart.org](http://www.jumpstart.org) for resources.



## Have Fun!

Here are just a few resources for teaching your kids about money. Ideally, you'll want to check out these websites with your children. You both might learn something!

Learn about money and the US Treasury (ages 6 and under) with Trez the cat: [www.ustreas.gov/kids/trez.html](http://www.ustreas.gov/kids/trez.html)

A free savings "passbook" for recording allowances and savings can be downloaded at [www.moonjar.com](http://www.moonjar.com)

The Money Factory offers games and activities to help kids learn about money (Ages 5 – 13). Visit [www.moneyfactory.com](http://www.moneyfactory.com)

Planet Orange is an interactive site geared to kids in 4th – 6th grade. Visit [www.PlanetOrange.com](http://www.PlanetOrange.com)

Learn how money and banking work (ages 6-12) at [www.KidsBank.com](http://www.KidsBank.com)

Find out about stock market simulation games to teach your kids to become Wall Street whiz kids (you can play along!) at [www.surfnetkids.com/stockmkt.htm](http://www.surfnetkids.com/stockmkt.htm)

Catchy music and books geared toward helping younger children develop healthy money habits can be found at [www.itsahabit.com](http://www.itsahabit.com)



## ***About the author and Consolidated Credit Counseling Services, Inc.***

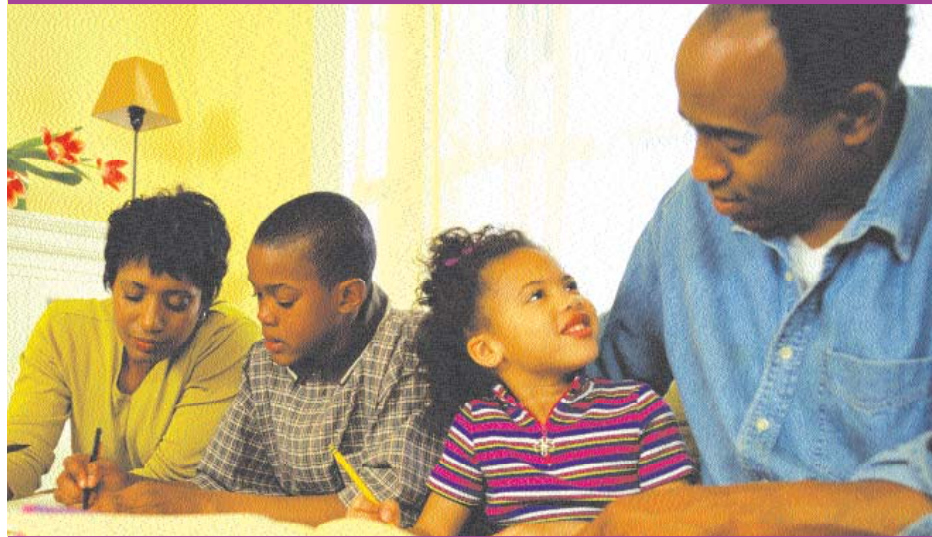
Consolidated Credit Counseling Services, Inc. is a consumer-oriented, nonprofit, public education organization. We are an industry leader in providing credit counseling and debt management services throughout the United States. Our mission is to help families end financial crisis and solve money management problems through education and professional counseling.

Gerri Detweiler is Consolidated's educational director and author of this publication. She has written numerous books including *The Ultimate Credit Handbook*, which was featured in *Money* magazine as one of the five best new personal finance books of the year when it was released. Ms. Detweiler has been quoted in thousands of publications including *The New York Times* and *The Wall Street Journal*. She co-hosted an award-winning syndicated financial radio program, and has been a guest on *The Today Show*, *Dateline NBC*, *the CBS Evening News*, and *CNN*. She has testified before Congress and lobbied on behalf of consumers protection measures. She is the former executive director of Bankcard Holders of America, as well as a policy director for the National Council of Individual Investors. She has also served on the Board of Directors for the National Coalition for Consumer Education as well as Experian's Consumer Advisory Council.





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