Money conversations with children

THE MESSAGES YOU RECEIVED ABOUT MONEY AT A YOUNG AGE FRAMED YOUR RELATIONSHIP WITH MONEY AND DRIVES SOME OF YOUR FINANCIAL DECISIONS TODAY. When you talk to children about money management, you help them develop skills they will need later in life.

Here is a checklist of items for discussion:

- [ ] **Start the conversation early**

Our lives are very digital, so children will see you use your debit or credit cards or electronic phone payments over cash to purchase goods and services. It's important to start talking to them early about the value of money and budgeting, as money habits are set by age 7.[1] Explain how it works in your daily life, as you buy groceries or pay bills.

When you are at the grocery store, you could give them a small budget and let them shop for an entire family meal. Let them compare costs and find the best deal as part of the process.

- [ ] **Discuss ways they can save**

It's always a good idea to start saving as early as you can. Talk to children about ways they can earn money, perhaps by doing chores for you, for family or neighbors. Assign a dollar amount to each chore so they know how much they will earn.

- [ ] **Set a good example**

Children learn more from watching than from what you tell them. If you need to make better financial decisions, think about involving your children in the decision-making process when you make big money decisions. Demonstrate how you research your purchases and how you intend to pay for them. If possible, show them how much can be saved by delaying the purchase and staying out of debt.

- [ ] **Teach them about credit**

Talking to children about the types of credit cards and how to use them will help them learn about spending responsibly. Since children often learn best from examples, try reviewing your latest credit card statement with them. Explain the difference between the total balance and the minimum payments, along with the due date and interest rate.

Share the importance of paying bills on time and spending only what they can afford as it leads to a better credit score and it helps improve their ability to get a loan later, if needed. To understand credit scores, you can compare them to school grades.

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Talk to them about debt

This is another important money lesson. Debt is any money that is borrowed that must be repaid with interest.

The concept of need vs. want comes into play here. Just because you want something doesn't mean you should buy it. If you don't need it right now, try to delay your purchase until you can purchase without charging it.

Be sure to discuss good and bad debt. Good debt is debt that is used to invest in something that will increase over time, like a mortgage for a home. Bad debit is debt that does not provide any long-term benefits, like credit card debt.

When discussing credit cards, help children understand that spending freely with a credit card can have consequences. Ideally, credit cards should be paid it off in full each month, otherwise, you will be paying interest on your purchases. Monthly payments should always be made on time, or it could impact your credit score.

Teach them about the power of time

Think about opening an account that will help your child save money. Over time, any contributions made to the account can take advantage of compounding, meaning any earnings on the contributions they make go back into the account and can generate earnings of their own.

Account options to consider:

- High-yield savings account
- 529 Education Savings Plan
- Custodial Roth IRA

Leave room for mistakes

We learn from our mistakes. When children make money mistakes, help them understand what went wrong and how to fix them. When you teach children the value of money, you give them the power of independence and ability to become financial responsible adults.

1 www.parents.com; Money Patterns Are Set by Age 7—Here's What You Should and Should Not Be Teaching Your Kids, March 2022.

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