



## Family and Kids 1: Money Lessons For The Whole Family And Where To Find Them

The key to helping your little ones understand the way money works is by talking about money and finances often. Ideally, you'll get started before age 8. Why? A study from [Cambridge University](#) shows that financial habits tend to be pretty engrained by age 7. In other words, by the time your child lands in third grade, they've probably formed their thoughts around money. That's why starting conversations with them about dollars and cents while they're still a preschooler is best.

By about age 5, kids can start understanding and [embracing logic and math](#). They might not be ready for a symposium on the economic ramifications of long-term inflation on the average household, but they're certainly primed to process the basics.

But all too often, families don't take the time to explain what it means to earn, save, spend, and budget. Thankfully, it's easy for parents to start today. There are tons of easy ways to help your child grasp important money concepts in a fun way that won't overwhelm them. Here's a rundown.

## **Teach Them About Wants vs. Needs Using Examples From Your Own Life**

Do you wear an inexpensive watch instead of a pricey smartwatch? Do you use an older phone instead of the newest model? The next time these things come up, explain to your child about needs vs. wants. For example, no one “needs” to upgrade to the latest gadgets, or to wear designer brands. When children are young, they don’t always understand the difference between wants and needs, but once you explain the importance of making affordable choices, it helps them grasp the concept. This will give your child a leg up once they reach their teen years, as learning the difference between wants and needs can sometimes take people a lifetime, explains financial planner [Liz Frazier Peck, CFP, MBA](#).

## **Learn Budgeting Via Toys**

Peck says she’s teaching her children how to prioritize their wants and be active in the purchase decision-making process — oftentimes via toys. To help her children gain an understanding of budgeting, she gives each child a “Save Jar” where they can save their money, and a “Spend Jar” for designated splurges. Whenever a new toy piques their interest, it sparks a conversation. “[We] talk about all the alternative ways they could spend their money, and the pros and cons of buying that particular item,” Peck says. Ultimately it’s the child’s decision whether or not to make the purchase with their “spend” money.

“It’s so hard, and you may be screaming inside because you know this toy will break in five minutes, but making mistakes at this age is great practice for them while there are no real consequences,” Peck says.

She also suggests making it rewarding — literally! — for children to save their money. For example, when they save \$10, throw an ice cream party or offer to do a dollar-for-dollar match at \$20 to keep them engaged. “The purpose is to get them excited about saving and make it a positive experience, so they will want to continue it and create a positive habit for the future,” she says.

## **Make Your Savings Goals A Family Affair**

Whether you set up a savings account online or put spare change in a jar on the kitchen countertop, your kids need to be able to visualize how quickly money can grow. To walk them through the concept of savings, break down some of your own habits, such as eating lunch out vs. packing a lunch, or stopping at Starbucks vs. making your own

coffee. At the end of the week, you can let them know how much you're able to put into your savings account because of the smart decisions you made.

Then, together, you can celebrate every \$100 that goes into your savings. Occasionally, you can dip into the account to do something special, like eat at your favorite restaurant, or you can save up for a big family trip! This can be a great lesson to your child that waiting for something can absolutely be worth it.

### **Use Their Allowance To Kickstart Money Conversations**

Whether you can afford to give your child \$5 a month or \$10 a week, allowances help teach important money lessons at an early age. An allowance helps your children see how money can be earned, and gives them a better sense of what you mean when you say you get paid for your work.

"Eventually, every teen needs to learn how to manage money, so why not do it now when the stakes are low, and he or she can learn from their mistakes?" explains Jeannine Glista, executive director of Biz Kid\$. For kids, having some "skin in the game," and spending their own money gives them a better appreciation for what things cost, and inspires them to be more thoughtful about their purchasing decisions.

### **Start Some Dinner Table Conversations About Money**

"We as a country, and as parents, have done a poor job teaching kids about money in general," says Bill Hardekopf, author of "The Credit Card Guidebook." Ideally, families can use dinner table conversations to kick-start important money lessons, he says.

On one particular vacation when his three kids were younger, Hardekopf and his wife decided to use the experience to give their kids a lesson in money management. Each morning they gave each kid an envelope with money containing their daily food allowance. Whatever was left over from the day, the kids could use any way they pleased. The kids put their heads together to figure out how to spend less on lunch in order to have more money for toys. "They asked us if we could skip lunch at a restaurant and went shopping at the grocery store instead!" he said. It was a great way to teach his kids that the choices they make about money are real and important.

## When They're Ready To Earn Money, Encourage It

Raise your hand if you babysat, walked dogs or raked leaves to earn money for the things your parents wouldn't buy you? According to the [U.S. Bureau of Labor Statistics](#), around 55% of young people aged 16-24 worked during the summer of 2023.

Glista says she's noticed that teens become a lot more interested in learning how to manage their money once they have money they've earned themselves. "Having a job or [starting a] business in high school becomes the vehicle by which teens start to become financially literate," she says. "There is such a ripple effect created from teens earning their own money. It starts with the chance for parents to have a money conversation with their teen. How are they going to divide their paycheck between saving and spending? Will they give any to charity? There's such pressure on teens to buy, buy, buy, so having them change their mindset to saving as much as they can is important."

Besides earning their own money, teens that have part-time or summer jobs are also learning important life skills that can serve them well in the decades ahead. "They learn how to show up on time, be accountable, receive constructive feedback, and take initiative to solve problems," Glista says. "Not to mention learning how to make small talk with customers, which is an often overlooked, yet important adult skill to master."

