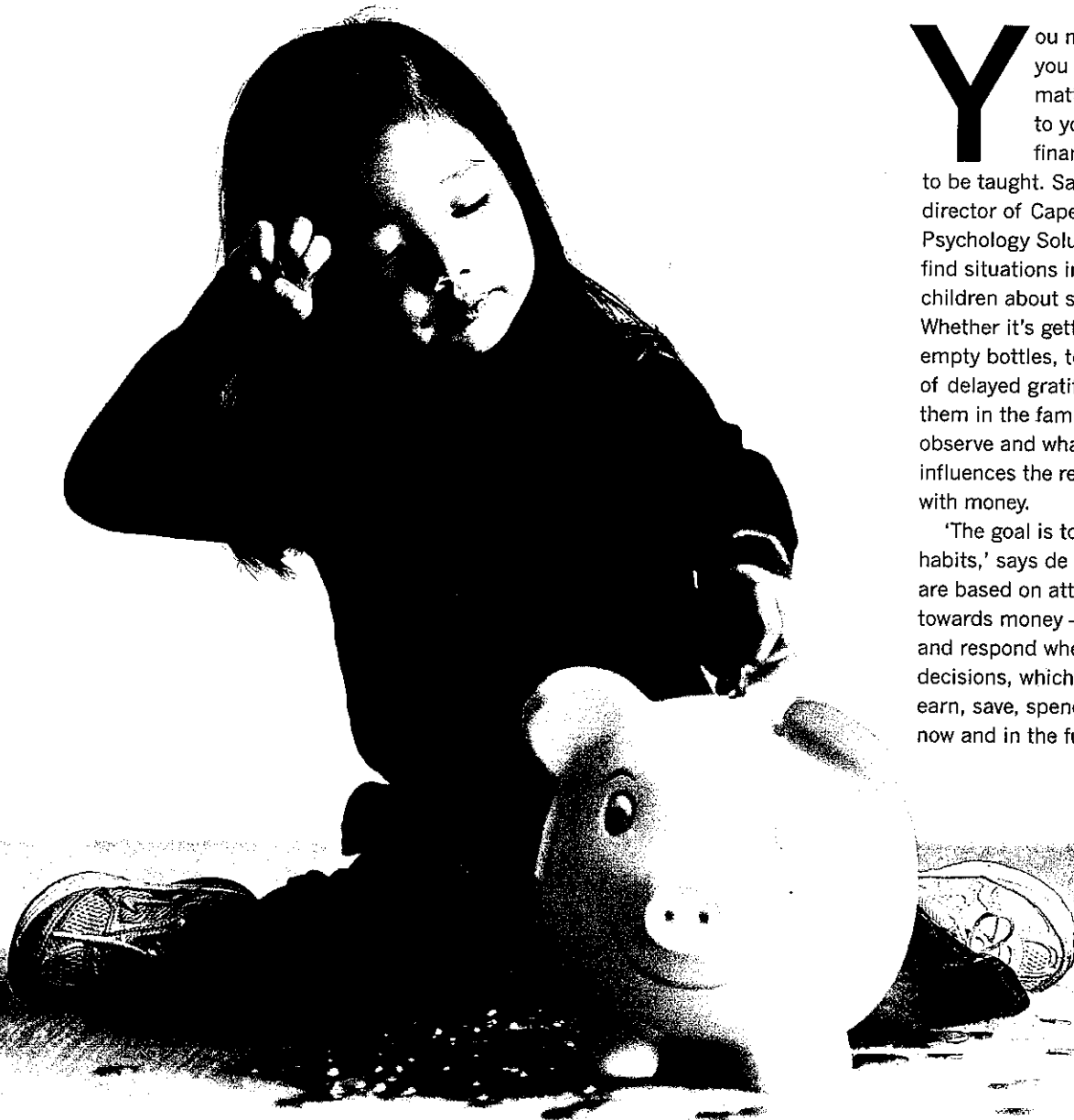


# TEACHING KIDS RANDS AND SENSE

Teaching your children good financial habits is one of the best gifts you can give by TARA LERNER

**Y**ou might think that because you work in a bank, financial matters will come naturally to your child, but sound financial habits do need to be taught. Says Servaas de Kock, director of Cape Town-based Investment Psychology Solutions, 'Parents can find situations in everyday life to teach children about spending and saving.' Whether it's getting them to collect empty bottles, teaching them the value of delayed gratification or involving them in the family budget, what they observe and what we teach our children, influences the relationship they develop with money.

'The goal is to develop healthy money habits,' says de Kock. 'And habits are based on attitudes and feelings towards money – that is, how they think and respond when making financial decisions, which influences the way they earn, save, spend and invest money, now and in the future.' >



### AGES 3 to 5

Begin discussing money. Take your children on shopping trips to buy groceries or gifts. Talk about how you weigh choices and decide. Occasionally give them small amounts of money and ask them to pick among three or four choices.

### AGES 6 to 7

Introduce a small allowance. You can also give them household chores, but may want to down-play the link between the two.

### AGES 8 to 10

Give annual raises, as well as increasing responsibilities, and provide opportunities to earn extra money by doing additional chores. You can also help them to open their own savings account.

### AGES 11 to 14

Start to set goals. Invite your children to join you in family budget discussions. And start talking to them about specific long-term goals, such as tertiary education.

### AGES 15 to 18

Have your child open a cheque account with an ATM card. Consider giving them a family credit card, provided they pay their own bills. Encourage them to get outside jobs. Include them in decisions about holidays, paying for tertiary education or buying an asset.

Source: Health 24

## ● BE A ROLE MODEL

One of the primary ways children learn is by watching and imitating. If you want your child to have good money habits, then you need to set a good example. Are you an impulsive buyer? Do you wait for items to go on sale or buy from factory shops? Do you know your financial worth at any given moment? Do you pay your bills on time? Do you tend to buy more than you actually need?

In addition to looking at your own relationship with money, you can also be conscious of the role that money may play in highlighting imbalances in the spousal relationship. If one partner takes responsibility for all financial matters, or another person spends or saves too much, this can bring friction to the relationship.

## ● TALK ABOUT MONEY

'Growing up, my parents never discussed finances with me,' says de Kock. 'Involving your children in the financial matters of the family is another way of passing on your values and giving them knowledge of where money comes from and goes.' You can show your children how you pay the bills or do the budget, and depending on their age, get them to pay a bill, whether it means actually doing the electronic transfer or standing in the queue to pay it. And if they see the family is on a budget, children may think twice before asking for an unnecessary item or may come up with new ways in which the family can save.

## ● ADOPT POSITIVE PARENTING SKILLS

Just as you would praise your children for positive aspects of their behaviour, use praise to reinforce the healthy behaviour they display with money, such as if they decide not to buy sweets in favour of saving up for a toy.

## ● GIVE PRACTICAL EXPERIENCE

Some parents prefer not to give their children pocket money and will instead buy them what they need, but many financial experts agree that one of the best ways to teach your children how to spend and save money is by giving them an allowance. If you feel that an allowance is something you can't afford, think of it as money you would have spent on them anyway.

Giving them spending power will help them differentiate between wants and needs. They may really want the latest trainers, but if they have to save for the trainers themselves, and see how much they cost, they may decide that what they already have is good enough. They can also learn about delayed gratification and the trade-off between immediate spending versus saving for later.

Start out by giving the allowance to your children weekly or monthly, in small cash denominations. Instead of having a piggy bank or single jar, have three separate jars labelled 'spend', 'save' and 'donate'. By teaching them about donating, they learn to share and to appreciate money and what they have. Some things to remember:

- **Make the allowance a set amount; this will allow your children to budget based on a fixed income.**
- **An allowance is an educational tool and should not be used for discipline. Withholding their allowance will make it difficult for them to budget, since they won't know if they will be getting a regular income.**
- **Give them full responsibility. Let them spend the money in whatever way they wish, including choosing their own charity for donations.**
- **Don't bail them out. Let them learn from their mistakes – and they will make mistakes!**
- **Have them keep a detailed record of their expenses.**

- Introduce short-term and long-term goals to your children.
- Be clear on what they are responsible for. Is it just for treats and entertainment? Or do they also need to buy clothes and toiletries with their allowance?
- Discuss beforehand what percentage of the allowance will be put in each jar.
- To encourage your children to save, you may want to match or add to their financial contributions.

You can decide if you want their allowance linked to their chores or not. There are essentially three schools of thought on this issue:

**1** If you link it to the chores, they will understand the concept of working to earn money, which can instill a good work ethic.

**2** Doing regular household chores is a normal way of contributing to the family. If children are paid, it can breed the mentality of only doing work for money.

**3** One can give a small base allowance, still have the expectation that they will do basic household chores (but do not link the two), and then give them the opportunity to earn extra money by performing extra chores. You can even ask them for suggestions on how they think they can earn extra money.

### ● BUT HOW MUCH IS TOO MUCH?

The question of what constitutes an appropriate allowance is very subjective. Whatever the amount, it should be linked to their ages.

You can also give them annual increases, either on their birthdays or on the first day of the year, and at the same time, increase their responsibilities.

The amount should not be so minimal that they have to save for weeks before

↳ Involving your children in the financial matters of the family is another way of passing on your values and giving them knowledge

buying a small item, but it should not be so much that they don't even have to save to buy bigger items.

To grasp the concept of saving, younger children will find it helpful to see the results of their savings. Although starting to save for their tertiary education as soon as possible makes good financial sense, it can be a difficult concept for a 10-year-old to grasp.

Savings can be viewed as deferred spending, so rather let them save for something that they can buy in a shorter amount of time, depending on their age and how long they have understood the



concept of saving. For example, a six-year-old can save for two weeks and a 12-year-old for two months. And rather than buying the saved for item with a credit card on their behalf, let them take the savings jar to the store and spend the money themselves.

'Parents who think that money isn't important are missing a valuable lesson to teach their children. If we don't take the initiative in teaching our children positive money habits, we increase the risk of their learning negative ones on their own,' says de Kock. 'We need to invest in our children, for their future.' ■

According to research company Synovate, 91 percent of South African parents surveyed teach their children to save money; 79 percent of South African children play no part in saving for their education; 34 percent receive a set allowance; and 52 percent do not have to do chores for their allowance. Here's how South African parents scored when asked if they actively teach their children these other areas of financial responsibility:

- How to pay bills: 51%
- How to use a checking account or credit card: 26%
- How to understand stock markets: 25%
- How to understand other financial instruments: 61%
- How to check prices on items in order to get the best deal: 74%
- How to look for and use coupons: 42%