

ESSENTIAL MONEY LESSONS\$

Every Kid Needs to Know



Education First

— FEDERAL CREDIT UNION —

When it comes to teaching your kids about money, many parents have no idea where to start. Money is a vast topic that influences almost every aspect of our lives.

Of course, we all want our children to understand the value of money, and we want them to grow up to be responsible earners, spenders, and savers. We all know that money management is challenging for everyone; it's a skill that must be learned but is also difficult to master.

As a parent, it is crucial that you take time and make the effort to teach your children about financial literacy. It's wise to start these lessons when your children are quite young – we promise they'll pick up on more than you think. The lessons you teach your sons and daughters now will stay with them for the rest of their lives.

If you haven't already begun to teach your children about money management, now is the time to start. This informative post will help you get started. You'll learn how and why you should teach your child about money, the four basic things we do with money, and why your child needs his or her own bank account. In this eBook, you'll discover ways to teach and encourage your child to earn and save money. We'll provide appropriate activities, learning opportunities, and talking points for children between the ages of four and thirteen.

Read on and get ready to dive into what will soon be a rewarding educational adventure for your whole family.

Why You Should Teach Kids Your Kids About Money

As a parent, it's crucial that you take the time to educate your children about money starting at a [young age](#). But why? How young can you start? What will they understand? There's a lot to consider, and some parents are apprehensive about it. For some, there's something about understanding money that can seem to make kids grow up even faster than they already do.

However, the fact of the matter is that money is a part of all our lives, and your child is going to encounter it soon on his or her own anyway. Who better to educate them about it than you? Whether you believe the phrase, "money is the root of all evil" is true or not, it's a necessary thing in all our lives. We earn money for working hard, and as any child will tell you, sometimes money comes as a gift. We spend money on food, housing, clothing, education, health, entertainment, charity, and more. In our lifetimes, even the average American will earn and spend [several million dollars](#), though only a few of us ever have a million all at once.

With all this in mind, it's wise for us to teach our children about money and how to handle it well early on. They can understand the concept of spending and saving even as toddlers. One study, commissioned by the United Kingdom's Money Advice Service, found that most children have developed the money habits they'll keep with them for the rest of their lives by [age seven](#).

Some elementary and middle schools today are working basic, early [financial literacy education](#) into their curriculums, using resources like [Education First's C.A.F.E program](#) and others. Unfortunately, this is still uncommon and rather sparse. Even when it is taught, the coverage of the subject matter is often brief and incomplete. Schools have so many subjects and topics that they are required to teach, so coverage of money matters often falls by the wayside.

You can't depend solely on your child's school to teach him or her about money management. Making sure that your children are armed with the knowledge that they need to succeed in the world of spending, saving, and giving is up to you. Allowing and encouraging your children to learn about these things in a safe environment - at home, under your roof and supervision, supported by your life experiences, knowledge, and advice - will give them the confidence they need to build habits they'll stick to into adulthood.

If they make a mistake now and spend all their savings on candy, for example, the actual consequences are nearly inconsequential – maybe not to them, but chances are good that they didn't spend more than \$10 or \$20. That may be all they had, but they also have plenty of time to start over and do better next time.

If they don't make and learn from these mistakes until much later in life, when frivolous purchases have the potential to cost hundreds or thousands of dollars, repercussions they will face could be far worse.

The Four Basic Things We Do with Money

If you think about it, there are really only four things that we do with money: earning, spending, saving, and giving. If you break it down this way, you can further contemplate the balance among these four things. We should not spend more than we earn. We must save some of our earnings for future needs. We should give to others when we have a little extra, and we ought to include a category for giving in our budgets.

When we look at money from this standpoint, we realize that a topic that seems so vast and complicated is actually rather simple, and it's this simplicity that we should keep in mind when passing on [lessons about money](#) to our children.

Earning

More and more people today avoid cash altogether and use only debit and credit cards for transactions. This makes money an abstract thing for many of us, and certainly for our children. Take time to discuss with your child different ways both kids and adults earn money. Tell your children about your job and how and when you are paid; you can skip the dollar amount details, and still drive home the importance of earning money.

As they learn the value of coins and bills, they will gain knowledge that will aid them in making better financial decisions in the future.

Spending

People of all ages feel proud when we earn our own money, and we all feel a bit of excitement when we spend it. Once your child begins to show an interest in money, you can begin to include him or her in age-appropriate discussions of family financial matters. Of course, if your family struggles with money, it's important to make sure your child always feels safe and secure. But no matter what your financial situation is like, your son or daughter can learn a lot about money when consulted for input about a new, large, household purchase like a new air conditioner, refrigerator, or car. Most children have no idea how much these items cost, and they will learn a lot about value when you show them how to go about selecting the best option for your home and budget.

Even if you're buying smaller items, like groceries, you can show your child the difference in cost for different brands of the same item or point out the fact that many vegetables are more affordable than many types of meat.

Mention when it's the time of the month to pay bills, and when the time comes to pay your taxes. Consider giving your child the responsibility to pay one of your bills under your supervision.

Water and electricity bills are good choices because they can see the size of the bill increase or decrease based on your family's usage and habits.

[Budgeting is so important](#) for people of all ages, but it's a skill that so few possess and apply. Teaching kids the value of money at a young age and helping him or her budget for things they want to buy will help them learn about the [benefits](#) of budgeting while still in their youth.

Saving

Once your child begins earning money, it's likely that he or she will want to spend it as soon as possible. However, it's wise to discourage this, or else your son or daughter may develop bad spending habits that will just grow and grow as his or her income increases. Once we understand the value of [delayed gratification](#), it is making saving that much easier.

Teaching children to save can be challenging, but once they witness the benefits of doing so, they will be more likely to continue a saving habit in the future. [28% of adult Americans](#) do not have savings set aside for emergencies. That's a very dangerous way to live; it's important that you instill the importance of saving in your kids as early as possible.

It might sound silly, but as your kids get a little bit older, it's even important to talk about the importance of [saving for retirement](#).

Whether you have a 401k, independent investment account, ROTH or traditional IRA doesn't matter, and frankly, may be too complex for children at this age anyway.

What does matter is that they understand that as soon as they have the opportunity to save for retirement, they should (and so should you).

Things they may have to do without today to save something for retirement will be so worth it later, when they no longer have income flowing in. The average 22-year-old who starts with \$100 in an investment account today and saves just \$50/month after that can have **\$179,983.59*** after 45 years without lifting a finger.

**assumes an average annual rate of return of 7%*

Here are a few ways to encourage saving:

Set Savings Goals

Helping your child set savings goals for something they want that is expensive can also help him or her learn to save. When they see that it may take them several months to save up for a bike or a video game system, they will either save with great gusto, or they'll decide they didn't really need that item anyway. If they do decide to save up for it, helping them to create a chart or graph of their saving to hang in their bedroom or on the refrigerator can be an additional motivating factor as well.

Offer Savings Incentives

If you see your child trying hard to save but not making the progress either of you would like, you might consider offering savings incentives. Offer a monetary bonus as they hit certain benchmarks or match a percentage of what has been saved so far; this can reignite a child's motivation and keep things rolling if they become stagnant.

Giving

Just as learning to manage money at a young age is important, children should also learn the importance of giving back to their communities and to those in need. You can also explain to that giving back includes giving of time and giving of money.

Helping your child understand that not everyone has the money they need will help them appreciate their own money and will foster an attitude for giving as they become adults.

Parents can help connect their kids with a cause they might care about, such as a local animal shelter or a foodbank and look for opportunities to support that organization. When we give gifts or donate to others who are less fortunate than us, we feel the warmth of impacting the life of another. Teaching children about money when they are small will instill in them a healthy relationship with money that they will carry with them always.

When a child learns the differences between earning, spending, saving, and giving, they will develop an understanding that will make them better money managers who are able to budget for their wants and needs.

How to Introduce Money into Your Child's Life

You don't need to know everything about money to know how to teach your kids about money. In some cases, these lessons will occur naturally. Once you start thinking about this topic, you'll find that you come across dozens of teachable moments every week. You just need to point them out to your little ones.

There are many ways to introduce children of all ages to money matters. Even if your child is older, it's not too late. You can start these lessons at any time.

Talk to your kids about money whenever it is relevant. Discuss your spending as you shop. Explain value and why the price of an item isn't always proportional to its quality. Play board games that feature money, such as Monopoly or The Game of Life. Make a game out of guessing the prices of things you see on television shows and commercials.

Make saving for something, like a [vacation](#), a [new pet](#), or a [new house](#), a family endeavor. Explain how credit cards work. Discuss the pitfalls of impulse buying. Collect coins from different countries around the world. Show your children how you budget for household expenses.

Introduce them to basic investment concepts. Share money mistakes that you have personally made in the past and explain the lessons you learned from them.

Most of all, be a financial example for your kids. If you verbally stress or complain about money all the time, they will, too. Instead, face your money issues head-on, and if you need help, seek financial counseling. This, too, will set a great example. Set financial goals and plan for the future, and your children will do the same.

Savings Accounts for Kids

One surefire way to get your child excited about money is to help him or her to open a youth savings account in their name.

Having a savings account of your own is a very grown-up thing, and that alone will get your children fired up about earning money and about saving it up as well. This will give your kids a head-start on learning how to manage their own money and will teach them self-discipline, too.

When your child opens a youth savings account of their very own, you will be instilling a sense of responsibility around money that will stick for a lifetime.

Benefits of Youth Savings Accounts

Saving in a piggy bank is lots of fun, but there are some clear benefits of youth bank accounts to consider.

Banks want children to open youth bank accounts so they can learn about money and hopefully become a lifelong customer. As a result, most youth accounts do not charge any sort of annual fee and usually offer [high interest rates](#). Some, like Education First FCU's C.A.F.E. program may offer [deposit incentives](#). Further, many pay quarterly dividends so the account holder can see their savings grow.

Taking the time to go to the bank to deposit even small amounts will show your children that bank accounts are serious business, and that small efforts to save money can add up fast.

A youth bank account will make it easy for your son or daughter to set goals and achieve them. Saving money at home is fine, but saving money in a piggy bank, box, or drawer can lead to that money being spent impulsively when the ice cream truck rolls by. Keeping money in the bank will help them to reach their goals much more rapidly.

Taking your children to the bank with you to deposit their money will help them to learn how to interact with bank tellers and other adults in professional roles. It will also give you the opportunity to bond with one another over something that is important to both of you.

Finally, the establishment of a youth bank account will allow you to monitor your child's deposits, withdrawals, and spending.

Of course, the way your child spends the money he or she earns should be up to him or her, but you'll both feel better knowing that you are there to oversee everything and offer guidance.

How to Teach Your Kids About Money at Every Age

It is important to teach your kids about money at all ages, but to be most successful, you need to keep the developmental stages of each age level in mind. Although some lessons will be understood and relevant for all age groups, the things you teach your four-year-old will likely be quite different than the lessons you offer your ten-year-old.

Check out these great financial literacy tips for your little ones, your big kids, and your preteens.



Tips for Teaching Four-to-Six-Year-Olds About Money

Four-to-six-year-old boys and girls know a lot more about the world than we often realize, and they are all ready to start learning about money at this age. Although their math skills may not be advanced quite yet, even little children can do simple sums and understand the concept of money and enjoy earning, spending, saving, and giving.

Money Concept: *Goal Setting*

This age is a great time to teach kids about the fact that sometimes you have to save and wait to have enough money to buy something that you really want, so you can introduce simple [financial goal setting](#), and you can both rejoice together when the goal is met. This is a lesson that will stay with your child for a lifetime and will encourage him or her to set and strive for more goals in all areas of life.

Making Money Matter:

Money is Tangible

As mentioned earlier, many children have an abstract view of money. Giving children a chance to handle and count paper money and coins at a young age will help them to understand that money is a tangible, physical thing. They will also learn counting and math skills in the process.

Wants vs Needs

However, there are several things you can do to encourage this even further. When your child wants to make a purchase, you can discuss the difference between wants and needs. Even if the item is just a want, contemplation of the differences between wants and needs will help them to determine whether they truly want to spend their money on it or not. They may end up deciding to buy a wanted item anyway, but the pause to think about it can make a big difference.

At Home Activity:

Small children can help you cut out coupons with safety scissors and can help you find the items in the supermarket. You can also play store and restaurant at home; allow your little one to shop, pay, and receive change, and then let him or her try it in a real store or restaurant, too.

No one wants to put every penny they earn in the bank; some should be used for spending, too! To help your child with this dilemma, help him or her to evenly divide any money earned into three categories: spending, saving, and giving. You can use clear, labeled jars as a visual aid to help solidify this idea further.

Ways to Earn Money:

Letting your children earn their own money is an important piece of the puzzle. When money is just handed to children, it's difficult for them to understand the value of it. However, if they earned their money through household chores or a business they began on their own, they will automatically be more inclined to save the money they earn.

Children at this age have a desire to help the adults in their lives, because they are still learning by copying their parents, older siblings, grandparents, etc. At this age, there are even some chores children can do without supervision.

Here are some simple ideas that you can start incorporating into your young child's routine to earn an allowance:

Put toys and books away

Make their bed

Help set and clear the table

Pull weeds

Water flowers

Assist with unloading dishwasher

Help bring in light groceries

Sort laundry into whites & colors

Match socks together

Help feed the family pet

Tips for Teaching Seven-to-Nine-Year Kids About Money

By age seven, your child should be earning at least a small allowance for work completed around the house, so it is a great time to open a savings account for him or her and to make a big deal about going to a credit union or bank to deposit that money. Any child with a youth bank account will be driven to add more money to it. Even a very young child can do household chores to earn an allowance, and that money can go right into his or her youth bank account.

Money Concept: *Opportunity Cost*

By the time your child is in the middle elementary grades, they can understand concepts like [opportunity cost](#); they will learn that if they buy one item, that may mean that they will be unable to buy something else they want later.

Kids at this age can also understand the decisions you make when it comes to purchasing things for your home. When choosing grocery items, explain to them why you choose a cheaper brand over a more expensive one, why some things are best purchased in bulk, and why you do not need to and absolutely shouldn't buy every single item that looks tasty on the shelf.

Making Money Matter:

Introduction to Jobs and Work

When you give your child an allowance, it is important that he or she earns it. A clear connection should be made between chores that have been completed and the money that is received. This is a great way to help prepare even a young child for the jobs and work that he or she will do to support himself or herself in the future.

Many children think that money comes from mom or dad's wallet or the ATM machine. Earning an allowance will help them to begin to understand that when someone works, they earn money and that if they do not work, they do not get paid.

Entrepreneurship

More and more people today wish to start businesses of their own. Teaching kids about money will encourage their drive and creativity and you may be amazed at the ideas they develop around [earning their own money](#). In the process, they'll learn about the concepts necessary to start and operate a company.

This type of thinking is so valuable and will be applicable in so many ways throughout their lives, whether they end up starting their own business in adulthood or not.

Urge them to develop business plans and to put them into action. There are [so many different ways](#) that kids can earn money today, both in their neighborhoods and online. Some internet-based ideas are selling old toys or artwork online, creating a YouTube channel, and taking kid-directed online surveys are all options for bringing in additional income under mom or dad's supervision. Kids who are good with technology can help seniors with technical support in their homes for a fee.

At Home Activity:

This is also a great age to introduce coin collecting; [the U.S. Mint](#) has some wonderful money activities on its website that will keep your son or daughter learning and engaged.

Ways to Earn Money:

Clean their room

Yard work

Walk pets

Bake sale

Take out trash

Sweep, mop & vacuum floors

Lemonade stand

Create YouTube channel

Sell old toys or artwork online

Tips for Teaching Ten-to-Twelve-Year-Old Kids About Money

Encourage your preteen to look to the future and to set some longer-term savings goals for himself or herself. Also, teach him or her to comparison shop; demonstrate that it's possible to get a better deal if you take the time to look for an item in more than one place instead of simply buying it immediately.

Money Concept: *Compound Interest*

As your child becomes a preteen, their math skills will enable you to offer more complex financial literacy lessons. You can teach your son or daughter about things like [compound interest](#) using specific numbers over long periods of time, and about the benefits of investing in general.

Making Money Matter:

Wise Spending Decisions

As an adult, you know that a lot of money management is about making choices. Your preteen can understand the concept of passing up on a dinner out during the week so your family can go to the movies together on the weekend instead. Let him or her make some of these types of choices for himself or herself or for your entire family when possible so they can fully understand their impact.

At Home Activity:

A useful tip to help your preteen further their knowledge of how many works is by using [helpful calculators](#) that allow them to plug in real-life scenarios. Have a preteen that is interested in the stock market? Have them pick out a few stocks that stand out to them, track how the stocks perform every week for a period of time and award a prize if their investment turns out to be a good one. This allows you the opportunity to talk to them about the risks of losing money as well.

Ways to Earn Money:

| | |
|---------------------------|---|
| Babysit | Establish their own lawn service business |
| Help grocery shop | Selling old toys or artwork online |
| Assist with cooking meals | Create a YouTube channel |
| Wash own laundry | Take kid-directed online surveys with supervision |
| Host a yard sale | |
| Wash the family car | |

By the time your child reaches their preteen and teenage years, they can do nearly any household chore you can think of plus more!

Teach Your Children Financial Literacy: They'll Thank You!

When it comes to teaching your kids about money, there's certainly a lot to cover. However, as you can see, it doesn't have to be challenging or overwhelming if you approach it the right way.

Set a good example for your kids, be ready to answer their questions, and guide them with your knowledge just like you always do.

Your kids look up to you and will eagerly absorb all the lessons you impart on this topic. When you start teaching kids about money at an early age, they'll have plenty of time to develop excellent money management skills under your supervision that will stay with them for life.

So now that you know the basics, what are you waiting for? It's time to get started today. You're about to embark on a fantastic adventure with your children that is so important - and years from now, they'll thank you for these lessons. Good luck!

Check Out These Additional Resources

If you'd like to learn more about the youth savings accounts we offer, and about our Center for Advanced Financial Experimentation ([C.A.F.E.](#)) [program](#), which teaches financial literacy to children ages twelve and under, please take the time to explore our website further, and [contact us today](#). We can't wait to meet you and your family.



[C.A.F.E. Parents](#)



[C.A.F.E. Games](#)



[Cool Million
Calculator](#)