

A Lesson Plan For Parents



Raising financially responsible children.

As parents, we're expected to educate our children, keep them safe and usher them into adulthood. But are we doing enough to instill financial responsibility?

While that's a question parents have always faced, the stakes seem even higher today.

Student loan debt has reached a record high, consumers are confronting increasingly complex financial products and parents are lavishing their offspring with gifts and rewards, creating what some are calling a generation of spoiled kids.



"Financial responsibility is one of the most important things a child will need when heading out into the real world," says Mary Hunt, author of the book, 'Raising Financially Confident Kids'.

Whether we like it or not, wise money habits begin at home.

Even if your child is exposed to finance in the classroom, you might want to supplement those lessons in order to pass on your personal views about money.

Financial education in school doesn't incorporate your own family values, so it becomes both a responsibility and an opportunity for

you as parents to improve the financial literacy of your kids.

So how do we teach financial responsibility? Are there some useful tactics for imparting money lessons to our children?

Talk About Money



Research shows that many parents simply don't discuss money with their kids.

The danger: If kids aren't engaged early on, they'll have no sense of how much things cost, let alone an understanding of basic concepts such as budgets, saving and investing.

"Money talk is not taboo," says Rob Pivnick, an American lawyer and the author of the book, "What All Kids (and adults too) Should Know About Saving & Investing."

Pivnick, the father of three, ages 8, 11 and 14, suggests involving children in both large and small buying decisions.

For young children, that might mean talking about the cost of items in a supermarket, while older kids should be included in discussions involving bigger purchases, he explains.

"If you're going on vacation, discuss the budget," Pivnick advises. "My kids don't know how much I earn, but they do know how much a car costs."

Teach Restraint



We might want to give our kids everything they ask for, but doing so could have negative consequences.

A young adult unaccustomed to hearing "no," might find it especially difficult to exercise control over money.

One way to avoid this problem is to get kids to make their own financial decisions and have them understand that there might be compromises involved.

You could use the 'If they want something, they must forego something else' method. After all, this is the reality that many of us as adults face every single day.

It doesn't matter what exactly is given up, particularly at very young ages. What matters is that the child gets used to the idea that there is a cost for everything, and that if they want something, they will need to decide if it is worth it.

Let Them Divvy Up Their Money



How do you get kids to be responsible with their money? Give them a simple formula to follow.

You can have rules for your children. For example...

Starting at age 10, whenever they receive money, they should be expected to set aside 10% for savings and another 10% for a charity (or for someone less fortunate than themselves).

In addition, insist they put 15% of their "income" into a 'family tax jar'. This communal money - to be spent by the family as a group, and that you as parents also contribute to - is designed to simulate the taxes that children will have to pay as adults.

They can choose to do what they wish with their remaining money, but it's great learning for adult life to budget or suffer the consequences. "No loans, no advances on allowance, don't even ask - You are required to manage your 'income' - You will not go into debt.

Teach Your Kids To Track Their Spending



Even if they don't have bank accounts yet, they should, however, be aware of what's going in and what's going out of their savings.

You could give your children age-appropriate documents to write down everything they receive, whether it's their pocket money or a gift, and everything they spend.

Give them the option to spend their money as they see fit. As they track their 'deposits' and 'withdrawals', they're aware that if they make a purchase, they might have less money later on to buy something else.

Hopefully, you can teach them the value of keeping records and try to make them aware of their financial situation.

Demonstrate The Value Of Saving To Meet Goals

If your child wants something that is relatively expensive, why not encourage them to save and provided a matching amount as an incentive.

It's better if the child has to commit their hard-earned cash to the deal!

Speak Their Language

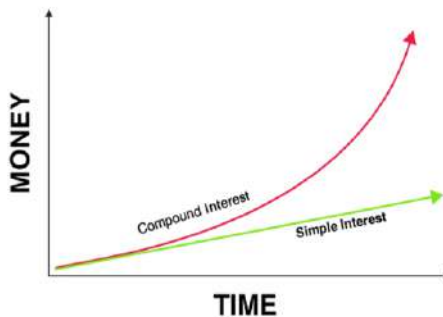


Introducing concepts like investing might be more complicated for parents. Make sure the message corresponds to your child's age and interests - Make your child a money genius - Even if you're not!

If you take a child to watch a Disney film, or into a Starbucks, that might be an occasion to talk about the fact that investors can own a part of companies.

You could even take it a step further by buying your children a gift of shares in companies they know and love to make investing relevant to them.

Show, Don't Tell



The power of compounding is a fundamental lesson your child should learn.

There's no better way to demonstrate this than by running the numbers together with them.

Try this example: If your child set aside £10 a month starting at age 10 and her account earned 7% a year, she would have £69,111 by the time she turned 65. However, if she waited until age 20, she would have just £34,290.

These are just some suggestions on how you could raise your children to be more financially responsible and be more prepared to deal with money as grown ups in the big wide world.