

EDUCATION

Teaching kids about money

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If money doesn't grow on trees, then it must sprout from mom and dad's wallets.

The sooner you erase this idea from your kids' minds, the more wisely they'll be able to handle their own money, according to Forbes.com.

But when the family budget is facing a crunch, it can be difficult to talk to kids about why you're cutting back on expenses without scaring them.

Instead, introduce concepts of money management at an early age, and when your family's finances are stable, parenting websites, such as FamilyEducation.com, suggest.

▲ Start when kids are around age 2 or 3, telling them everything that costs money — from the food on the table to the clothes they wear, or their education — has a price tag.

William Nan Li, marketing officer for Bank of Guam, said parents start saving for their children's college education from as early as when they're toddlers, so it isn't too early to introduce them to the concept of saving, too.

▲ Explain to them the difference between needs and wants. Food, utilities payments, are things you need to pay for, whereas new toys, accessories or video games are things your family can live without.

Agana Heights resident Rhonda Rekdahl, a mother of three, said her 10-year-old son understands that if he wants to buy a book or game, he has to save up for it.

"He knows how to reach that goal," she said. "A video game is something that you can wait to get it."

She tells her children clearly that her first priority is to buy food and clothes, and if there's money left over, then they can consider extra expenditures.

Her 5-year-old daughter has a harder time understanding this concept, she said, especially when they're walking past an aisle of dolls at the store.

"I tell her, 'You don't need it, because you have two dolls in your room,'" Rekdahl said.

▲ Lead by example. If your child sees that you're cutting back on outings with friends, holding off on buying that new TV, or bargain-hunting for items on sale because you have mortgage payments, groceries, and utility bills to pay, he or she will abandon the "it's not fair mentality" and realize that everyone has to make sacrifices from time to time, Forbes says.

▲ Giving your kids a weekly or monthly allowance not only gives them a sense of independence, but also teaches them the basics of saving. According to Li, the amount of the allowance isn't so important, as long as kids are giv-

GOALS for kids

GOALS FOR KIDS

AGE 6 TO 10

- Identifying money. Make sure that she knows the difference between a nickel and quarter.
- Making change. Make sure that she knows how to present enough money to cover a purchase and to count her change.
- Being responsible for money. If she loses the dollar that was in her pocket, she has to know that it's her loss (you won't replace it). This will teach her to be more careful in carrying money.
- Understanding that things cost money. From the candy she eyes at the supermarket checkout counter to the premium movie channels on TV, she must know that nothing comes free.
- Handling an allowance. Make sure that she learns to live with the allowance she's given and to meet any expectations for it that you might set. For example, this

may include a modest savings plan to pay for things she wants.

GOALS FOR KIDS

AGE 11 TO 13

- Setting up a savings plan. As your child ages, he's better able to set goals that are more far-reaching. For example, he might want to save for a summer experience—a day at Great Adventure or Six Flags.
- Setting up a savings account. The old piggy bank may have been okay in elementary school, but once his savings grows, it's time to bank it in a commercial institution.
- Giving to charity. Even if it's only a little money, it's about time to learn about giving to worthy causes.
- Shopping wisely. Children this age may spend time at the mall on their own; they need to know about shopping for value.

GOALS FOR YOUTH AGE 14 TO 18

Kids are painfully ignorant about debt. According to a 1997 Consumer Reports study, 40 percent of teenagers didn't understand that banks charge interest on the loans they make. Many teens don't even realize that credit cards are a form of borrowing.

● Saving for college. College is an investment worth making—and for this age group, it's just around the corner.

● Getting a job. Nothing teaches about the value of a dollar as fast as working for it.

● Learning about investments. Your child may not yet have the bucks to buy a Treasury bill or 100 shares of Microsoft, but it's important that she understand at this age how these investments differ and what investing in general can do for her.

● Understanding what a budget is all about. Money isn't infinite (unless you've been supplying it without restriction), so she should know how to make a budget and allocate the money she has to spend among the things she needs.

● Learning about credit cards and other debt. Whether your child is ready for her own credit card is not the criterion for teaching about debt and how to handle it. It's never too early to learn the perils of having too much debt and how that can happen.

● Understanding about the different kinds of taxes. If your child already had a job, she knows that Social Security and Medicare taxes are withheld from her paycheck. When shopping in most states, she has paid sales taxes on things she has bought. And if she earns enough or has investments, she'll pay income taxes as well.

Source: FamilyEducation.com



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Money tree: BankPacific executive administrative assistant Tricia Scott, left, and first lady Joann Camacho use a virtual money tree to teach Wetengel Elementary School students about money and saving during a Teach the Children to Save Day outreach on April 27.

en a regular fixed allowance and they spend it as they wish.

"A kid's allowance is very necessary on a periodic basis," Li said.

Rekdahl said she gives her son about \$10 every two weeks, and before that, he didn't have an allowance, so he knows how to live within his means.

▲ For preteens, teach them that money is earned. Offer to increase their allowance if they help more with chores around the house.

Rekdahl said she expects her 10-year-old son to do daily chores such as taking out the trash, and cleaning his room and bathroom because he's a member of the family, so he doesn't get paid for that work.

However, when he helps his dad by mowing the lawn or washing the car, he gets paid, she said.

"If he does extra chores, we reward him accordingly," she said.

Suggest to your kids that they can even help mow lawns for neighbors, walk dogs or babysit if they want to earn a little extra cash on their own

without the help of mom and dad.

"If there's something that he wants, (and) I can't afford it at that time, or we can't buy it right then there, I let him know that he can save his money from birthdays or if he does little jobs for people," Rekdahl added.

▲ Stick to the allowance schedule. If your child spends it immediately, maintain a firm stance that he or she will have to wait for the next allowance period, Forbes suggests. This includes even if your daughter's friends all have the latest cell phone accessory or your son has to miss a movie with his friends this week because his funds have run dry. This will teach them to prioritize their expenses and they will soon learn that if they use up their allowance as soon as it's given to them, they'll be short-changed by the end of the week, according to Li.

"You've used up your money and you've made your choice," Rekdahl tells her son.

▲ For younger kids, go over

their purchases with them. Encourage them to keep a record of how they're spending their money. Forbes suggests creating a very basic balance sheet by writing the amount of their allowance on one side, and deducting expenses from it on the opposite side of the sheet. As your child gets older, the balance sheet can become more detailed, according to Forbes.

▲ Teach them to spend wisely. Take them window shopping. Leave the wallet in the car and spend a day just looking for good deals and comparing prices so kids realize the most expensive item isn't always the most valuable. Plus, it may take some searching to find the biggest bang for your buck.

▲ For older kids, suggest they look into a part-time job. Not only will this teach them time management, responsibility and the value of money, but they'll also understand the agony of having Social Security and Medicaid taxes withheld from their paycheck, according to Forbes. Furthermore, they'll get an idea of how much work and savings they have to invest if they want to pay for that spring break trip with their friends.