



# Tender Hearts Child Therapy Center

*Parent Newsletter*

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## **Teaching Children Financial Responsibility**

Time for a “teachable moment”: Financial responsibility. While the debate in Washington continues and the news media throws out the phrase “fiscal cliff” every chance it gets, now is a perfect time to talk to your children about financial responsibility.

First, set a good example. As parents, we are our children’s first teachers. Children watch everything we do, and that includes how we manage our finances. Parents want their children to save for the future and to not waste money on junk they won’t play with or use. So naturally, parents should do the same. Start saving for retirement, even if it’s only a small amount each month. Don’t buy things you don’t need or won’t use. I’m sure you can think of plenty of things in your closets or garages that you really knew you wouldn’t use when you bought them.

Second, teach your child to start saving, regardless of his/her age. Have your child put away part of his/her allowance each week to save for a new toy or have your teenager start a college fund. You can help younger children understand the benefits of long-term saving by breaking down how much the child will need to save each week to buy a new toy. Older children can benefit from a discussion about interest and how saving over the long term can help them in that way as well.

A piggy bank is fun for young children, but by the time your child is 8, it’s probably a good idea to start a small savings account. Have your child help fill out deposit slips and balance statements, both are great practice for your child to begin learning about finances.

Another very important aspect of financial responsibility is creating a budget. Don’t be afraid to show your child your family’s budget. Explain to your child how you keep track of expenses. Teaching children to fit expenses into earnings can be difficult, but practice will help. For example, the next time you’re eating at a restaurant, tell your child, “You have XX amount of money to spend at the restaurant today. What you pick to eat has to stay within that budget.”

Another great way to teach budgeting is to go shopping together. This will allow your child the opportunity to learn the value of things and relative prices. Ask your child why he/she thinks one loaf of bread costs more than the other. Ask them if the extra money is worth it. You can further involve your child by helping him/her clip coupons. It’s a great way to teach your kids one way to save money.

One final note on financial responsibility is to remember to keep having these conversations and to make sure the conversations grow as your child grows. Talk to your teenagers about credit cards, interest rates, mortgages, etc. Before you know it, credit card companies will start sending information to your teen. Make sure you’ve had enough conversations before that time that they can make responsible financial choices when they are on their own.