

FOUR EASY MONEY LESSONS TO TEACH YOUR KIDS

April is Financial Literacy Month, a time when we recognize the importance of sound money management. As we now face a financial crisis unlike any in their lifetimes, there is no better time than the coming months to talk about the importance of sound financial management. Take the time you have right now as a family to prepare your children for managing their money, obtaining and maintaining credit, saving for their future, budgeting their expenses, and much more.

So, what are the things you can discuss with your children?



TALK TO YOUR KIDS ABOUT MONEY

Even at a young age, kids should understand how you're getting the services and products you're receiving. Your children see you pay for things in a variety of ways, from cash to smartphones. Parents.com suggests that one way to do this is to “turn your day-to-day activities into learning experiences.” Trips to the bank, store, or the ATM machine, for instance, can be a perfect opening for a discussion about your values and how you use money.

MANAGING MONEY MEANS MAKING CHOICES

Children also need to know money is finite, even for wealthy families. That means money used to purchase one item won't be available to purchase other items. Says Peter Nigro, chair of the finance department at Bryant University in an August 2019 US News article: “An easy way to teach this lesson is to involve children in making everyday choices. The grocery store is a natural place for these lessons. Kids can be asked to decide between two items, such as two variety of cookies, with the explanation that money for both is not in the budget.”





MONEY CAN GROW WITH TIME

A coin jar provides a simple, yet effective illustration of this principle: Money saved, and eventually invested, has the potential to grow and significantly over time.

Older children can benefit from help with starting a savings account, where they can watch their money grow, and a checking account, where they can see how purchases affect the money they've earned.



HOW CREDIT WORKS

Is it worth not waiting? Children need to understand that “instant gratification” comes with a cost and that credit means borrowing from others; which also comes at a cost. However, they also need to be taught that credit can be a valuable tool.

According to experts, the use of credit can lead to overspending and quickly lead to significant interest expenses. However, credit in and of itself is not bad so long as it is used responsibly, and children need to be taught how to use credit to their advantage. Teaching young kids about credit can be tricky since it's an abstract topic, but tweens and teens should be able to grasp the concept of borrowing at a cost.



Teaching smart money management isn't about a single conversation had at the kitchen table. Instead, it's all the small comments you make and questions you answer throughout the days, weeks and years. Even if you don't think you're teaching, your kids are always watching and learning.



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