

Put Kids on the Right Path with Money Lessons

(Family Features) From the time children drop their first few coins into a piggy bank, they are ready to learn about setting savings goals and making smart spending decisions. While kids may struggle with giving up a candy bar today in order to save for a video game purchase next month, the lesson of saving becomes directly applicable to them.



But the bite of inflation? The wisdom of diversifying savings? Can a third grader understand these concepts?



The experts say yes, and the sooner parents start imparting these lessons, the more effective they will be in helping children grow into financially responsible young adults. The trick is to take advantage of teachable “money moments” that happen every day – such as when you go to the bank or the grocery store – to help children understand complex concepts in kid-friendly terms.

When a son questions his mother’s refusal to buy a toy she says the family cannot afford, the mother has the perfect opportunity to teach the son a money lesson about making choices. She can explain that purchasing that specific toy means there is less money to be used for future purchases, such as buying a bicycle or a video game the son has on his wish list.

Another example would be if a daughter asks her father why the family can’t fly instead of driving a great distance for the family vacation. This question presents an opportunity to explain spending tradeoffs the daughter can understand. For example, the amount required for airline tickets may mean the vacation budget can’t allow for swimming with dolphins or a visit to the amusement park.

“If children are included in family financial discussions, such as planning for a fun vacation or purchasing a high-cost toy, then parents can begin to place daily spending decisions in a context their child will understand,” says Stuart Ritter, CFP, a family financial expert with T. Rowe Price, and father of three. “Teaching children to set savings goals and make decisions about money that align with those goals is much easier when the discussion is concrete rather than abstract.”

Inflation and diversification may be more difficult for children to grasp. In fact, some adults may have trouble defining these concepts. Simple explanations may work, such as explaining that college will cost a lot more several years from today, which means saving and investing differently for that goal than one would for a smaller item, such as a skateboard to be purchased in six months.

A complementary approach is to introduce children to games that teach basic money lessons. One example is the game “The Great Piggy Bank Adventure” at www.GreatPiggyBankAdventure.com. T. Rowe Price collaborated with Walt Disney Parks and Resorts Online to produce this free online board game, which conveys basic financial concepts in a way that is fun and easy for kids to understand.

To extend the lessons from the game, parents can also download a free “Journey to Your Dream Goal” activity book from www.FamilyFinancialHub.com. Puzzles, games, and tricky challenges help guide kids through the process of making smart financial decisions.

To get your child started with saving and money lessons, visit www.FamilyFinancialHub.com.