

Teaching Money by Age

Ages 3-5

Main goals: Teach the concepts of working and finishing a job. Instill a sense of pride about a job well done and teach about spending (Saving is difficult to grasp this young).

Ideas to Implement:

- Talk to them about the value of coins and dollars.
- Give them simple jobs for \$0.50 or \$1 such as sweeping the floor and wiping the counters.
- Pay upon completion of the job. They need immediate gratification.
- Take them shopping to spend the money they earn. Let them handle the transaction and make all decisions.
- Let them help you at the grocery store. Give them \$5 and ask them to pick snacks or fruit for the week. They will learn how to make tradeoffs and notice what items cost.

Ages 6-13

Main goals: Teach the give/save/spend concept to instill the value of money and give them increased decision-making power in how their money is spent and education on earning more.

Ideas to Implement:

- Start the Give/Save/Spend Concept. Example: \$5 pay = \$1 Give, \$2 Save, \$2 Spend
- Give a weekly allowance – possibly a \$1 per year of age. (Tip: Go to the bank and get \$100 in \$1 bills. At this age it is important to have money. As my kids got older, we did an automatic transfer into their account.)
- Increase responsibilities (Watering plants, walking the dog, emptying the dishwasher, cleaning windows, vacuuming, emptying the garbage cans)
- Set a goal for something to save up for. Money should be fun.
- Encourage them to use their own money for gifts for family members or special friends. You could also match their savings for a gift.
- Let them choose how to use their Spend money.
- Talk about how to be a smart shopper. Show them how to find things on sale and at discount stores.

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- Open a savings account at the local bank.
- Give them spending money for vacation and let them choose how to spend it.
- Determine how much you would spend on back to school clothing. Give them the money and be clear about what they need to buy. Let them know they can keep any money left over. This will help them practice making decisions, like picking the expensive shoes over getting to keep what's left. Show them that you can have a store hold an item for you and you can go back and get it later if you still really want it. (Ages 11-13)
- Explain what it means to be an entrepreneur. Are they interested in starting a teenage business?
- Buy them their first stock of a company they like or shop at. Explain the concept of owning a share and participating in the earnings of the company through dividends. (Age 11-13)

Ages 14+

Main goals: Give kids increasing responsibility for making and spending their money. Let them learn from their mistakes, don't bail them out. Reinforce the relationship between money and value.

Ideas to Implement:

- Convert their bank account to a checking/savings.
- If they have honed their skills, take the amount you normally spend on their clothes or entertainment and give it to them as a monthly amount in their bank account. Don't question what they spend money on but review it with them.
- Encourage them to get a part-time job if they want more spending money.
- Explain the concept of taxes, what they are used for and that they will come out of their paycheck.
- Explain what their costs are, even if you are paying for them. Maybe even stop to ask if they think it is worth the cost. What do their sports and activities cost? How much does camp cost?
- Consider having them help pay for large items, such as part of an expensive school trip, a car, or a special camp they want to attend.

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- Help them understand the concept of spending money on things that you value. You may be someone who always buys used cars, but you spend your savings on exotic travel because you value exploring with your family. It's not about being cheap.
- Understand the life energy value of money. You give up your time to make money for things. My daughter wanted a pair of shoes. When I asked her how many hours babysitting it would take to pay for them, she decided against it. It was for her to decide, not me.
- Consider opening a Roth IRA if they have earned income. Most kids will want to have their money available for college spending money, etc. You can tell them you will match any of their long-term savings by putting it in a Roth IRA for them or match their Roth Contribution.
- Begin teaching them about investing. Have them open a brokerage account (or do this in their Roth IRA) and buy a few stocks of companies they like with 25% of the money, then buy indexed funds with the remaining 75%. Track the volatility of them. Explain that an index fund owns hundreds or thousands of companies that you now own a piece of. Let them experience it increasing and decreasing in value.
- There is a debate on this, but as your child is determining what career to pursue, it may be important to have a conversation about how much it costs to support the lifestyle they are currently living. What is your mortgage, property taxes, utilities? How much do they need to earn to support a similar lifestyle? You don't want them to become a teacher and expect to live like a Sales Executive. (Ages 16-18)
- Go through the costs of colleges with them and if they take out a loan, what those payments might look like.

Ages 18+

Main goals: Make sure your adult children have the knowledge, support and freedom to make wise financial decisions. Ensure an open dialogue about money, responsibility and independence.

Ideas to Implement:

- Set expectations of what you are going to help with, during college and after. Some parents pay for all of college, others pay for most and ensure their kids have a loan or pay for a semester so they are invested in their education. Explain what choice you are making and why.

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- If you are going to give them a monthly allowance for their needs while they are at college, talk about what that should be used for. When it's gone, it's gone.
- If you are going to require them to hold a campus job to cover those expenses, or part of them, discuss how to balance school and work.
- Explain the concept of insurance to them and how it is used (to protect your savings in a worse- case scenario situation). If you are sending them to college with their own car, consider making them pay you back for the insurance.
- At this stage, they should already understand delayed gratification, have work experience, be used to saving and giving money—not just spending, know how to make a paycheck last and consider expenses beyond today.

Resources

Websites and Online Games for kids at various ages and resources for Parents too.

www.practicalmoneyskills.com: Tons of resources and games, including Financial Soccer and Football. Provided by Visa.

www.themint.org: More games and resources for kids, teens, parents and recent graduates.

www.kidsmathgamesonline.com: This is a math games website but has a section for Money Games. You can try your hand at becoming an entrepreneur by opening a coffee shop or lemonade stand. These teach some great lessons about tradeoffs.

www.smckids.com: This is Warren Buffet's Secret Millionaires Club. It is animated series that features Warren Buffett as a mentor to a group of entrepreneurial kids whose adventures lead them to encounter financial and business problems to solve. The program teaches the basics of good financial decision making and some of the basic lessons of starting a business.

www.moneyconfidentkids.com: Includes magazines and games for kids at different ages, educational guides for parents, as well as educators. Presented by T. Rowe Price

<https://www.consumerfinance.gov/consumer-tools/money-as-you-grow/>: The Consumer Financial Protection Bureau have created a resource that includes conversation starters and activities to improve your children's money habits and attitudes.

[President's Advisory Council on Financial Capability 20 Things Kids Need to Know to Live Financially Smart Lives](#)

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Books for Young Children:

“The Berenstain Bears’ Trouble with Money” by Stan and Jan Berenstain (my favorite)

“Milton the Money Savvy Pup Brings Home the Bacon” by Jamie A. Bosse, CFP®, RFC®

Here is a [link](#) for more age-specific books.

Parenting Books About Kids & Money

“The Opposite of Spoiled: Raising Kids Who Are Grounded, Generous, and Smart About Money” by Ron Lieber

“Raised Healthy Wealthy and Wise: Lessons from successful and grounded inheritors on how they got that way” by Coventry Edwards-Pitt

“Even if Your toes turn Purple: Raising Teenagers That Are Confident, Happy, and Stand Out” by Rich and Tim Christiansen (Rich is an entrepreneur that has raised his children to become entrepreneurs. His kids were even responsible for paying for their own vacations)

“Is Your Child a Money Master or Money Monster? Seven Habits of Highly Motivated Kids for Financial Success” by Sunny Lee

“Silver Spoon Kids: How Successful Parents Raise Responsible Children” by Eileen & Jon Gallo

“Smart Money Smart Kids: Raising the Next Generation to Win With Money” by Dave Ramsey and Rachel Cruze

“Kids, Wealth, and Consequences: Ensuring a Responsible Financial Future for the Next Generation” by Richard Morris