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**Cooperative Extension**  
Trempealeau County Extension Office

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## February Young Family Newsletter

Dear Parents and Caregivers:

Money and children in the same sentence often refers to how much money it takes to raise a child. However the focus of this newsletter is how to teach money concepts to young children. What is a parent to do? Most financial educators and advisors feel that parents should take the time regardless of their income to share money concepts as soon as children can talk in short sentences.

How do children develop their understanding about money? First, it begins as soon as the toddler begins to observe family members spending, earning, saving, investing, and sharing money or available resources. Children's value and idea of money may also be affected by how they see those around them respond to advertising, or subtle messages to have many things, viewed in the media and world around them. Learning to say "no" to these outside influences can mean financial security now and in the future.

Children are not born with "money sense." Adults must help children learn about and develop money management skills by including children in everyday money experiences. Children who are included in money planning will see benefits throughout their lives. They will be more likely to make better money decisions that will provide greater personal satisfaction as well as provide greater economic stability and security for their future.

Positive learning experiences always have the best outcomes. Read on to learn ways to teach your children important money skills that will increase the chances of their future financial security.

Sincerely,

Mary Wood  
Buffalo/Pepin County Family Living Educator

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## Kids, Advertising, and Saying “NO”

Pre-school and early elementary school children are very concrete thinkers. What is seen seems real and they do not distinguish between commercials and programming. Unfortunately, marketing experts understand this very well and spend at least \$15 billion a year targeting children. This presents a huge challenge for families who either cannot afford those products or have other priorities for how family money is spent.

How can families overcome big business marketing efforts? Children need to see adults in their lives say “no” to adult wants. Parents and caregivers can share with their children that they really would like the new coat or a big screen TV by saying, “I’d really like to have that big TV, but we don’t have money for everything we want. Our TV will do just fine.”

Helping children say “no” to one of their wants is not easy. One way an adult can respond to a child’s desire to buy something is to first acknowledge the child’s desire and talk about the item. Many times an adult’s or parent’s time to calmly talk about the item may be enough to help the child accept the “no” or to learn to make plans to save for the item for possible later purchase. The child is satisfied by knowing the adult understands how he feels. Here’s an example of how this scene might play out:

**CHILD:** “I want to get this new Barbie.”  
(Child grabs boxed Barbie.)

**ADULT:** “Tell me what you like about this Barbie.”

**CHILD:** “The dress is so pretty.”

**ADULT:** “It is a pretty dress. I can see that you really like it, but it costs \$10. How much money do you have to buy it?”



I don’t have an extra \$10 either.

Thanks for telling me about why you wanted this Barbie. Let’s talk about it more when we get home. (Child may be reluctant to put Barbie back, but stay calm and stick to your plan.)

Children see about 40,000 advertisements on TV each year. The American Academy of Pediatrics recommends no television or videos for children under the age of two and no more than two educational and non-violent programs for older children.



In addition to less exposure to advertising, children who watch less TV have increased attention span, greater language development and stronger literacy skills. They are less aggressive, nag less, and have a reduced risk of obesity.

*Campaign for a Commercial-Free Childhood, sponsored by Iowa Psychological Foundation, Iowa State University Extension Program, and other sponsors.*

## Earning Money

It is suggested that all family members, even very young children, have assigned, unpaid tasks to encourage responsibility for the family. This is the preliminary stages of learning work standards and habits.

Preschoolers need to be exposed to the idea that family members, neighbors, and adult friends go to work and receive paychecks to buy food, clothes, car, gas, and housing expenses. The money remaining is either shared as gifts/contributions, saved/invested, or spent on extras that make life comfortable. By observing adults going to work and having pride in providing for the family, the child learns that work is honorable and contributes to a sense of freedom and personal recognition. Adults need to be cautious about

emphasizing the bad characteristics of their jobs; children need to observe the rewards that work brings.

Children learn much about work through their play. Children learn about workers by reading books or using “make believe” to be a fireman, nurse, farmer, truck driver, teacher, or various other workers. When you play with the child, give a “make believe” paycheck. You may also include other play ideas such as taking the check to the bank, playing store, saving money, and giving gifts to show how money is used.



- Play store. Pretend you are looking for something the child would really like to have. Use pictures from store ads or catalogs. Lead the child to making a decision about choosing only one item.
- Let the child have his/her own coin purse. Count the money in it before you go shopping and let the child know what it might purchase. If what he wants costs more money than he has, tell him to wait until he gets more money to buy that item. Giving a child a small allowance each week can help the child learn the concept of waiting to spend until one has enough money.
- Share information about how some things will cost more money than just the purchase price. For example, if a toy needs batteries, show how much more money will be needed to buy the batteries.

## Spending

Involving children in shopping can teach a child to compare items for price, quality, and characteristics to meet the family’s wants and needs. Children also need to learn that once the money is spent, it is gone. Ways to teach about spending include:

- Give your child a dollar to purchase a small treat. Show the child possible treats and let the child make a choice. Let the child know that there is only enough money for one of the items. Let the child pay the clerk. Once the purchase has been made, the child may not exchange or talk the parent into buying another. If the child buys a treat that either immediately breaks or tastes bad, acknowledge that it is sad. Share that you have made choices in the past that have made you sad too, but once the money is spent it is gone and he will have to wait until another day.



## Saving

Saving is a habit learned early in life. A child, who saves money for future spending, learns to delay gratification. This skill will reduce the chances of the child falling into the “credit trap” as a young adult. Although saving is a good habit, children must learn that balancing savings and spending is the goal of good money management. In other words, children must be allowed to spend some of their money.

It is hard to encourage younger children to save. Praise and acknowledge children for their saving efforts. Applaud toddlers for putting pennies in their piggy banks. Allow preschoolers to make deposits into their savings account and place the savings book in a special drawer or shelf.



Make saving a family affair by starting a savings jar for a special family purchase.



Start by choosing a less expensive item such as a game or DVD. Label the jar with the item and the amount of money needed for the item. Family members then place extra change into the jar. Count the money regularly and celebrate

the progress. When enough money is in the jar, make the purchase a family celebration.

### Sharing

Giving to others instills the value of helping others. Both the giver and receiver have good feelings. One's time or talents can be an alternative to giving money or presents. This practice shows that money isn't everything. Look for opportunities to have your child help an elderly neighbor get the mail, shovel the walk, or bake cookies.

### Balancing Earning, Spending, Sharing, and Saving Activities

First, young children need to experience that money spent, saved, and shared cannot exceed what is earned or received. The American Bankers Association suggests that children split money received into four jars. For each dollar received the money is divided as follows:

- 10¢ for sharing.
- 30¢ for spending within a short time
- 30¢ saved for a special item to be purchased within 6 months
- 30¢ saved for future (college, car after graduation, etc.)

This strategy allows children to experience money habits that will work well throughout their lifetime.

For more information about children and money:

American Bankers Association, **Teach Children to Save**,  
<http://www.aba.com/abaef/teachchildrentosave.htm>

Danes, Sharon M. and Tammy Dunrud, **Teaching Children Money Habits for Life**, University of Minnesota Extension (2002)

LeFebvre, Joan E., **Helping Children Save to Spend** (Issue of *Parenting the Preschooler* Newsletter) <http://www.uwex.edu/ces/flp/pp/2006%202007.html>

Pankow, Debra, **Money in Our Children's Hands**, North Dakota Extension Service (April 2000)

**Thrive by Five**, Tips for teaching preschoolers about spending and saving, website:  
[http://www.creditunion.coop/pre\\_k/index.html](http://www.creditunion.coop/pre_k/index.html)