

May, 2004

Young Families Newsletter

Dear Young Families:

The life-long benefits of teaching children good money habits make it well worth the effort. Children who are not taught these lessons pay the consequences for a life-time. Some parents don't teach their children about money because they think they shouldn't talk about money with children, don't have the time, or think they don't have enough money. Parents should take the time to teach children about money regardless of their income and should start when children are young.

Most people have strong feelings and opinions about money, based on childhood experiences and the values and beliefs of their families. Most often, these experiences, values, and beliefs are different for each parent. It is vital for the healthy development of children that parents talk about these feelings and opinions and establish a consistent approach to teaching children about money. Here are some questions that can help parents focus discussions about money and children:

- How can we create an open environment in which our family can discuss money issues?
- How should our children receive money? Will we give them allowances or use another method?
- What are our family values and attitudes about money that our children may be observing?
- What do we communicate about money?
- How can we structure learning experiences about money?
- How will we deal with our children's differences in handling money? These differences occur by their stage of development, special needs, or personality differences.
- How should we respond to the effects of advertising and peer pressure on our children's buying requests?

As you teach children about money they can learn about responsibility; family values and attitudes; decision-making; comparison-shopping; setting goals and priorities; and managing money outside the home.

Sincerely,

Gail Peavey, Family Living Agent

The following section outlines, by stage of development, children's understanding and use of money as well as conflicts about money. Activities and concepts parents can use when teaching children about money are also included. Depending on your financial situation and your child's stage of development, some ideas or activities may be more useful than others.

PRESCHOOLERS

Developmental Characteristics	Suggested Teaching Activities for Parents
Understand the idea of saving when they can see and touch the amount.	Play grocery store or bank with play money.
See money as a way to get things they want.	Borrow or rent something they need to return.
See all money as having the same value.	Separate coins into piles by color and size and discuss their value.
May think coins have more value than paper money.	Let child pay for one item when you shop or put money in the parking meter.
Understand the concept of borrowing, by borrowing something and returning it (for example, a book from the library or a video from a store).	Teach children that family members work to pay for food and clothes. Let the child visit your workplace.
Know everyone must do unpaid routine family tasks.	Have children do routine chores without pay, such as setting the table or putting toys away.
Need opportunities to make limited choices.	Put savings in a jar, pay interest, and let children hold the interest amount in their hands.
Imitate much of what they see adults do.	Read stories about money matters and responsibility.
Choose between two or three items to be purchased.	Provide two or three alternatives from which you help them make a choice (for example, breakfast cereal choices).
Can't differentiate between reality (a commercial) and fantasy (a TV program).	Discuss products advertised in TV commercials.
Can't see things from the viewpoint of another person.	Teach desirable money habits by your example.

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Early Elementary	
Developmental Characteristics	Suggested Teaching Activities for Parents
Know what money is but may not correctly name coins and bills.	Open a savings account at a financial institution that accommodates children. Explain interest and how the institution works.
Imitate parents' spending habits.	Explain sales receipts and bills for expenses you pay for them such as clothing and dentist.
May not understand that they have to pay for things that they take off the shelf at the store.	Establish a spending plan including wants, prices, earnings, and money to save, share and spend. Use color-coding to indicate these categories.
Need to get information about money in a concrete way.	Compare prices while shopping for something they want.
Can save for something they want if saving time is short and the item is specific .	Have children clip coupons and give them the amount saved.
May not realize cash and check are both money.	Post and discuss a family wants list to show that not all wants can be purchased.
Doesn't understand the relationship between cost and how much they have to spend; may ask how much they can buy with a given amount of money.	Provide an allowance if you choose to do so.
Cannot be expected to say not to spending impulses.	Have children bring lunch money to school.
Can discuss money matters with more sophistication than their actual level of understanding.	Have children contribute some of their money to religious and other groups of your choice.
	Discuss the difference between needs and wants as you window shop.

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Following is an exercise that may help you evaluate what you are or are not doing to teach your children money habits for life. "Yes" answers indicate ways you are helping your child learn money management skills. "No" answers could mean you may need to help them more. These are general questions for all children. The stage of development of the child will dictate how involved you get with topics presented in the questions. Give a "yes" or "no" response to each question.

1. Do each of my children have some money to manage without my interference?
2. Have I helped my children set up a spending and savings plan?

3. Do I avoid using money as a reward or punishment?
4. Do each of my children do some regular household chores without pay?
5. Do I set a good example of being truthful about money matters?
6. Do I give my children more financial responsibilities as they get older?
7. Am I a good money manager, giving my children a good example to follow?
8. Do I allow my children to make their own decisions about money when there are alternatives?
9. Do I praise my children if they have made wise decisions with their money?
10. Do I help my children find ways to earn extra money that is age appropriate and suits their abilities and skills?
11. Do I allow my children to make mistakes related to money and help them to understand the consequences?
12. Do I sometimes verbalize my own desire to acquire more goods and services than my income can handle so that my children know that I say "no" to myself, too?

Adapted from Money Sense for Your Children, Alice Mills Morrow, Extension Family Economic Specialist, Oregon State University Extension Service

Ten Ways To Avoid Problems Over Money or Buying

Let your child know what you're willing to buy him or how much he can have to spend before you go to the store.

If you don't plan to buy your child a particular item he wants, let him know beforehand. (One parent invited her son to brose the toy section of his favorite store and asked him to tell her three things he wished he could have. She promised to keep his preferences in mind when it was time to buy.)

If your child can't have what he wants, redirect his attention to something he can have. *"We're not buying any candy on this trip. You can pick out the kind of cereal you'd like."*

Before you give your child an allowance, be clear about all aspects of your arrangement. Talk with your child about expenses he'll be expected to pay for himself, any restrictions on the use of the allowance, requirements for receiving or earning it, what portion must be saved, or ways to earn extra money when he needs it. You might even want to write out a "contract" but with or without this backup, stick to whatever arrangements you make.

If your child wants something expensive and you have no objections to the purchase, ask him to earn and pay for a portion, and agree to cover the rest (to whatever degree you can afford). For example, if he wants "special" jeans, you might offer to pay what "regular" jeans would cost and let him make up the difference himself.

If you give, give freely - no lectures about how easy he's got it, how spoiled he is, how hard you had to work for it, or how money doesn't grow on trees.

When your child is old enough, help him develop accountability. For example, a lot of children believe that when you want money, all you have to do is go to an ATM and get some! Talk to him about how you have to put money in first -even show him a bank statement to "prove" that money doesn't just come out of a wall.

Teach your child to save. Start a savings account for your child and help him plan and commit to a savings program (for example, a portion of his allowance, earnings or gifts). Help him determine the purpose of this account.

If you agree to lend your children money, ask him how he plans to repay the loan, and even request collateral (siblings not acceptable).

If you borrow from your child, give him an IOU or sign some written agreement. Pay him back on time. Model responsible borrowing behavior.

Source: Bluestein, Jane for Family Information Services, Minneapolis, MN 1988 Reprinted with permission.

Children's Books About Money

Stories from books can help you teach about money. For example, discussing how Mom in Mercer Mayer's **Just Shopping With Mom** (Western, 1989. Ages 4 and up) can help her children accept "no" as the answer when they have the "I wants." After talking about what others could/should do, relate the ideas in your own family.

Apple Picking Time by Michele Benoit Slawson. Crown, 1994. Ages 5 and up. All the townspeople work in the orchards at harvest time. Anna sets a goal to pick a whole basket of apples herself.

How The Second Grade Got \$8,205.50 To Visit The Statue Of Liberty by Nathan Zimelman. Whitman, 1992. Age 5 and up. The second grade class finds out that earning money for a big trip is not as easy as it looks.

Ox-Cart Man by Donald Hall. Scholastic Inc., 1979. Age 4 and up. A farm family use their time, energy and talents to grow or make almost everything they need. They also grow extra things to sell at the market.

Sheep In A Shop by Nancy Shaw. Houghton Mifflin, 1991. Age 4 and up. Sheep go shopping for a birthday gift, don't have enough money to pay for it and decide to solve their problem by trading.

Something Good by Robert Munsch. Annick Press Ltd., 1990. Age 6 and up. Tyya tries and tries to get her father to buy "something good" at the grocery store. After some trouble, Tyya's father buys *her* for \$29.95.

The Berenstain Bears' Trouble With Money by Jan and Stan Berenstain. Random House, 1983. Age 4 and up. Brother and sister Bear spend money as soon as they get it. Mama and Papa Bear want the cubs to understand that there is more to know about money than just how to spend it.

The Purse by Kathy Caple. Houghton Mifflin, 1986. Age 5 and up. Katie loves the noise her savings make in her Band-Aid box. She spends her savings on a new purse and throws away her Band-Aid box. Now she has no noise and no money.

Tight Times by Barbara Shook Hazen. Viking Press, 1979. Ages 5 and up. David learns about "tight times" and making hard decisions.

Tom and Annie Go Shopping by Barry Smith. Houghton Mifflin, 1988. Ages 3 and up. Tom and Annie go shopping for a lot of items. This book asks you to find the items on the shelves. Shopping isn't as easy as it looks.