

March, 2005

Dear Young Family,

Does this sound familiar? “Mom can I have \$10 for...” If your children are asking you for money then they are demonstrating that they are ready to learn about managing it. Teaching your children money management skills is a critical part of their future. Learning good habits early in life can make managing money easier over the long run.

Teaching children to manage money uses the same parenting skills used in other learning curves. When your children learned to walk you provided them a safe place to try to experiment taking those first steps. Then you let them learn by doing. Allowing them to fall is part of the process as is celebrating their efforts and their successes.

When your children learn by doing money management they will also need to fall to learn. Celebrate their efforts and successes and try to avoid criticizing their mistakes. Be flexible, understanding that your child may choose to manage money differently from the way you manage money. The most important aspect of the process is that they are learning the concepts.

When you get down to it, there are six major areas of personal finance. Almost every financial skill your child needs will fit under one of these topics.

- Setting Goals
- Earning Money
- Spending Money Wisely - Budgeting
- Understanding the Time Value of Money – Saving and Investing
- Using Credit Responsibly
- Protecting Assets

An allowance is one way to establish a framework in which to teach these concepts. The following pages will offer some ideas on how to enjoy teaching your children about money, including exploring the concept of an allowance.

Parenting Goals

1. Recognize when your child is ready to start managing their own money.
2. Shift some spending and saving decisions over to your child.
3. Create safe boundaries for your child to learn by doing.
4. Reduce the need for your child to ask for money.
5. Shift their behavior; as the child takes on more financial responsibility the parent must let it go.
6. Set an example of how to manage money successfully and how to handle money mistakes.
7. Be supportive of their efforts and celebrate their successes. Enjoy watching your children learn about money.



Sincerely,

Cyndy Jacoby
Family Living Agent

“Before they understand the concept of saving, investing, or borrowing, kids sense the power of spending money. They see grownups show off their latest purchases, hear them talk about a relative’s new car, or watch while they give thanks for presents.” MasterCard©

Allowances

Allowances are a personal decision each family needs to make. In addition to the regular allowance established, parents can also make a list of additional chores that have fees attached to them, creating additional opportunity to learn more money management skills. Allowances can be used for lunches, bus fare, fun and savings. An allowance is one way to help your child gain experience in handling money and making decisions about spending it. It promotes independence and teaches the value of money.



Guidelines for allowances are determined by family attitudes and values. No matter which allowance system you choose, giving an allowance promotes good communication, a sense of responsibility, and consistency. The value of money is also taught. All allowance systems require guidance to make the system work.

General Benefits to Using Allowances

- ✓ **Creates a safe environment in which to learn about money management.**

If a child spends their allowance too quickly they will survive. Children learn money management often from their mistakes. Some children will naturally be more spenders than savers.

- ✓ **Children become aware that money can be a limited resource**



When the allowance is gone and there are still purchases to be made, it is an eye opener to children that the supply can be limited. Learning this will

empower them in the future. They will understand that they can have more money by making different choices. This is also an opportunity for parents to shift their behavior of being the provider and let the child have this experience. If the parent intervenes and gives them money, the child will not learn that money can be a limited resource. Instead they will learn, “When I run out of money go to Mom or Dad.”

- ✓ **Teaches financial negotiation skills**

If it turns out the initial plan is unrealistic, you can help your child learn to renegotiate the financial plan. If a child overspends or spends too quickly allow them an opportunity to renegotiate. For example, Sally spent her allowance the second day. On the fourth day her friends wanted to go to a movie. Sally went to her parents for more money. Instead of agreeing to this outright, Sally’s parents negotiated an exchange of labor for more money. They may also loan Sally money until her next allowance. Sally will then learn how hard it is to repay debt.



- ✓ **Encourages work ethic and creative ways to create more income**



An allowance gives your child a base amount to work with. Then if they feel they need more money than their allowance is affording, provide some alternative ways to make more money. This will empower them by helping them understand they can be in control of increasing income.

Here are three different views on how allowances can be handled. They are presented individually but they can be blended.

1. Base allowance with no expectations attached

Regular household chores are considered the responsibility of everyone who lives in the house. Everyone pitches in to help out. Allowances are a way to share the money coming into the household with everyone in the house. Everyone receives a portion of the income. This keeps chores separate from allowances.

- Supports the concept of a family unit working together
- Allows children total freedom on choices for spending and saving allowances

2. Allowances tied into chores being completed

A list of chores is created for each child. When they are completed they are rewarded with an allowance. If the chores are not completed the allowance is not given or a smaller amount is given.

- Teaches a work ethic
- Allow children total freedom on choices for spending or saving allowances

3. Allowance has specific expenses or financial responsibilities attached.

A base allowance that is attached to specific expenses can be very powerful. Review your child's allowance with her and see that her income covers what you expect her to pay, adding items when necessary.

- One of the most powerful tools in money management is setting specific goals for spending or saving. You and your child can determine what financial responsibilities will be attached to their allowance. This can be the first step in learning to set goals. For example, \$5a week will be spent on entertainment. This also helps parents shift behaviors as they will now let go of paying for entertainment.
- Helps determine how much should be given. For example:
One month of expenditures = \$20.00

- \$5.00 movie with friends
- \$5.00 game/toy
- \$10.00 food

How often should an allowance be given?

Short intervals such as once a week are best due to children's need for immediate gratification.

Sometimes allowances are given in relationship to when parents are paid.



Giving an allowance the same time, same day of the week, and the same amount is also helpful. It demonstrates consistency, and assures that it is not forgotten.



How much allowance?

Some parents tie this to age or maturity, others to job responsibilities and still others to expenditures. When determining amounts take all of the above ideas into consideration, but there is no set formula. The allowance should fit the situation.

Borrowing money

If your child runs out of money and asks to borrow money, you might lend it to him. This is a crucial teachable moment. Be sure to let them know you are the cheapest bank in town. If they pay you back in a timely fashion you will stay open for future business. If they do not, they will have to go to a different bank. Other banks charge interest. Depending on the child's age the concept of interest can be introduced at this time.



Ideas for Fun Activities

Saving - Preschool Children

1. Younger children enjoy watching money collect in a container. Find a fun bank or clear container where a child can put coins and watch them grow.
2. Talk to your child and teach them the names of coins.



3. When your child can count, take the money out on occasion so they can count it.
4. Show them how to count pennies and then stack and wrap them to take to the bank.
5. Visit the bank to see how you put money in or take it out.

At early ages attention spans are short, so savings goals are for something immediate. “Let’s save for a box of crayons” is a recipe for success. “Let’s save for a puppy or bicycle” will only make the child feel that saving is a hopeless endeavor.

Saving - School Age Children

Your child will first understand the idea of saving when an allowance will not cover an item he or she wants to buy. This is a teachable moment.

1. Help your child set a specific saving goal, stating:
 - i. how much he needs to save
 - ii. a date when he would like to have the money saved by
 - iii. how much he will need to put away each week to reach his goal
 - iv. where he will keep his money that he is saving.



2. Together create a chart or a calendar where he can see his progress.
3. At a little older age talk to your child about saving for something he truly wants and save for over a longer period of time. Set up a savings account in a bank where he can make deposits.



Saving – Pre-teens

Introduce your pre-teen to market concepts. Sometimes, as a parent, we are hesitant about teaching budgeting, investing, and other essential money skills, because we don’t do these things perfectly ourselves.

1. Talk to your kids about what they earn, what they save, and what they spend. Let

2. Find out what they already know.
3. Go over basic investment principles such as setting investment goals and diversifying investments to reduce risk.
4. Buy them a small amount of stock in companies they recognize and help them track it – or do this using “fictitious money” just for fun.

Ideas for Fun Activities-Spending

If your child has money and spends money he or she is ready to manage money.

Your child can learn that money has value because she can begin by exchanging it for things she needs and wants. Then she is also ready to learn how to get the most value for her money.

Spending -- Preschool Children

In the grocery store show your child how to select produce such as apples (not bruised), oranges (firm and heavy) and bananas (not too green).



Let your child play store, setting up things that can be easily counted, such as apples or oranges and exchanging those items with coins. You can use play money or real money. Actual empty boxes and items bought at the store can also be used.



As they mature, let your child hand the clerk the money for small purchases.

Let your preschooler make some choices about what to buy with his or her money. For example, “You can buy the toy car or the toy plane.” While purchasing clothes or toys older children can be shown how to compare the price and quality of items. Then send them out to discover the best deals.

Spending -- School Age Children

Introduce the idea of trade-offs. Tell your child that even very rich people can't have everything. This is a tough concept and may lead to a discussion about value. For example, if your child begs for an expensive software game, you might ask if he is willing to trade-off Saturday movies for a while.

School age children can help with shopping by making a list, deciding how much to spend and making choices. As their skills progress they can do some of the shopping for the family.

Spending -- Pre-Teen and Teens

Give an older child a monthly clothing allowance. Keep the money in a special envelope. Have them replace money spent in the envelope with receipts showing how they spent their clothing allowance.

Checking Accounts

- Shop around for an account with the smallest balance requirements and lowest service charge.
- Show them how to use their check register.
- Talk about fees for bounced checks and how to report a lost checkbook.
- If the account offers an ATM or debit card, be sure your child understands that using the card takes money directly out of their account. Help them discover a way to track ATM withdrawals.
- Work with your child for a few months balancing their account when their statement arrives.



Credit Cards

High school students can learn a lot about how to manage a credit card by using a debit card. When your teen does graduate to using a credit card, look for one that lets you establish a ceiling, \$500 for example. To help your child learn about credit cards communicate that:

- Credit card purchases are loans. The price for the loan is called "interest." It can be high especially if the borrower pays only the minimum each month.
- Paying off the balance each month is like getting free money for a few weeks. Make this the practice instead of the exception.
- It's important to shop for the best deal. Compare interest rates, annual fees, late fees, and grace periods.
- One credit card is plenty.

Resources

Children and Money Allowances and Alternatives, Sharon M. Danes, PhD.,
Minnesota Extension Service, University of Minnesota

National Endowment For Financial Education
5299 DTC Boulevard, Suite 1300
Greenwood Village, CO 80111
www.nefe.org

Institute of Consumer Financial Education
PO Box 34070
San Diego, Ca 92163
Paul Richard, RFC, Executive Director:
619.239.1401
www.financial-education-icfe.org

Cash University

Post Office Box 2493 ~ Grand Rapids,
Michigan 49501
616.957.1130 or 800.209.4800 ~
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March 3, 2005

Charles Cooper
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Dear Charles,

Back in the early 1990's I was thinking about how I was schooled at college regarding end times. As I thought about this subject the years after college things just didn't add up; so I went on a quest for knowledge with an unbiased attitude. What I came up with was a position so close to the Prewrath position it was surprising. Then I found out about Marv's book, *The Prewrath Rapture of the Church* and was so encouraged. My wife and I have been to a few of your seminars and have really enjoyed them. We would love to have you come to our church, but I am sure that would never happen; I doubt our church would be receptive. I occasionally receive *Zion's Fire* and love reading the articles on end times. It's my passion to learn all I can about that great moment when the Bride will meet the Bridegroom, our Lord Jesus Christ. I want to be ready, but also want to "sound the alarm" to the many people who couldn't care less.

In Christ,

Steve Olcott
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