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Money Matters: Teaching your kids about money

DODGEVILLE, Wis.—Managing money is one of the most important skills that young adults need when they emerge on their own into the real world. However, rather than waiting until your son or daughter leaves the financial security of your home, financial education can begin as early as pre-school and continue on from there, according to Ruth Schriefer, University of Wisconsin-Extension Family Living Educator for Iowa County.

Parents are often surprised that financial education begins before children even start school and that they are the first teachers. Very young children observe their parents handling money almost daily, whether it's cash, checks or credit cards. They see choices being made and they hear discussions about the family money. Those early observations by your children are an indirect teaching method, says Schriefer, and they influence the values and attitudes your children develop about money.

To be more direct with your teaching about money, parents can plan activities that involve money. Games like "playing store," shopping for a gift within a price range, or comparison shopping for a new bike will provide opportunities for you to explain money use to your children and also help them learn to make decisions about their spending. This method of hands-on learning is important for children who are developing money management skills. Parents need to remember that making mistakes is part of the learning process and that they will need to provide lots of support and encouragement to children who make spending choices they later regret.

Family discussions about money are also a powerful teaching method. Many adults can remember being excluded from family financial decisions when they were growing up and, most likely, money wasn't discussed at all in the presence of the children. However, Schriefer says, most children will benefit from being included in regular family discussions about some money issues so they learn about the family's financial goals and how family income is used.

When parents include children in money discussions, they need to remember to explain the ground rules, including confidentiality, so the children know what is expected and how they can participate. Parents also need to remember that children see situations from a different

point of view. If mom or dad says, “we can’t afford that” about a new toy and then they spend money on a tank of gas and some groceries, the child might be confused about whether there is money or not and how it gets spent. Parents need to be prepared to explain choices and values as well as the costs and benefits of their family financial decisions.

How parents earn, spend, borrow, save, share and invest money does influence children’s and teen’s attitudes and values about money, says Schriefer. Parents should carefully consider their own money beliefs, behaviors and values before they start to plan money management opportunities for their children. Parents who consistently spend money before it is earned may have a difficult time teaching their children about limited resources and the importance of saving. Parents who pinch every penny may have children who see money as something to be hoarded, rather than as a useful resource.

When it comes to teaching your children or teens about money management, it’s never too early and it’s never too late to start building the skills they’ll need for the rest of their lives. For more information about family financial management, contact your county UW-Extension office.

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