

A Parent's Guide to Raising Money-Smart Kids

As a parent, you might struggle with when and what to teach your children about money management. Is five too early to earn an allowance? Should you share the family budget with your children? When should teens learn about credit? These are all important questions, and it's often not easy to know the answers. Kids have different levels of interest in financial education. But, research tells us that by the age of five most children understand money and what it can do.

With that in mind, it's probably never too early to start using these general guidelines as a basis for educating your children about money.

- Involve kids in discussions about finances early and lead by example. Talk about money as you go about your daily activities – explain that money from the ATM is not “free” money, and show them how putting coins in a vending machine gives them something for their money. These teaching moments are also a great time to explain that once the money is spent, it's gone for good.
- Explain the difference between wants and needs. Take your kids on regular shopping trips and encourage them to use common sense when shopping and spending. Making smart spending decisions is critical to keeping within a budget, something everyone has to do eventually.
- Make saving a habit. As with any habit, the only way to learn to save is to practice, practice, practice. And though practice might not always guarantee success, it sure helps!

The information below offers more specific guidelines for different age groups. Again, these are just guidelines. What decisions you make about when and what to teach at home depend on your family situation, household budget and how comfortable you are in the role of teacher.

Your Financial Literacy Checklist – What Every Child Should Know by the Age of 18

Experts agree the best way for your children to learn financial literacy is with the guidance and examples they get at home. To help your child grow into a financially responsible adult, review the information for each age group; keep in mind the age-specific lessons as you go along; and frequently review this short list to see if your children are learning:

- ✓ The importance of saving
- ✓ The difference between wants and needs
- ✓ How to create and use a simple budget
- ✓ How to develop financial goals
- ✓ Checking account management
- ✓ How to use debit cards
- ✓ How to use online banking, mobile banking and alerts
- ✓ The basics of credit and credit scores
- ✓ How to be a smart borrower
- ✓ The importance of saving for retirement
- ✓ What they'll need for their first job
- ✓ How to shop for and finance a car
- ✓ The importance of planning for college

Younger than age 5

- Open saving accounts for your kids in their own names. An Ent [youth account](#) can help start good saving habits; offers lots of fun benefits; and only requires a \$5 opening deposit.
- Let your child pay for a small purchase at the grocery store. This will help them learn about transactions and start to understand the value of money.
- Start a savings jar for coins. Make sure the jar is transparent so they can see the coins that accumulate. Or use coin saver cards to teach how to identify coins and count money. When the jar or card is full, visit the credit union to deposit the coins in the child's account.
- Set up a play store. Your kids can "sell" their toys or anything else in the house. When you pay for what they're selling, you can use this time to explain the equivalency of coins – five pennies equal a nickel, two nickels equal a dime, etc. Don't forget to switch roles to let them buy items from you.

Ages 5 to 7

- As children approach school age, most are ready to handle money on a regular basis. If you are in favor of providing an allowance, this is usually a good age to start. It's important to establish some guidelines, like what the child will pay for out of the allowance (which will help you determine how much allowance is appropriate) and when "payday" will be each week. Then, let your child be responsible for the money. If it's spent immediately, don't step in to bail them out or provide an advance on next week's allowance. Kids need to learn from their own mistakes, and managing an allowance is the first lesson to successful budgeting.
- By the age of 6 or 7, children can normally understand the concept of comparison shopping to get the most for their money. Talk with them about looking for the best price before buying that special toy, book or CD. Explain that waiting for a sale, or shopping at a discount store, means their money will go further. When you're shopping for groceries, show them the difference between a name brand and a generic brand and how it's often more economical to buy larger sizes of most products.
- Explain the basics of budgeting. If a certain amount each "payday" is divided into categories like "save," "spend" and "share," talk with your child about how much should be allocated to each category. Deciding how their money is divided helps children learn to save regularly, spend wisely and give to others. This is also a good time to begin talking about saving and spending goals.

Ages 8 to 10

- As children mature, their interest in money typically increases. When it seems appropriate, explain how adults earn money and suggest ways for your child to generate income. Even if your child receives an allowance, there might be opportunities to do extra chores around the house or jobs for the neighbors, like pulling weeds or caring for pets.
- Learning about the family budget is also important. If you feel comfortable doing so, go over your family's monthly expenses for housing, food and transportation to help your child understand the cost of necessities. Then, talk about budgeting for the "wants" of the family – and explain how there might be months where there's not money in the budget to see the latest movie or eat dinner at a favorite

restaurant. Understanding the difference between wants and needs – and spending accordingly – is one of the most important lessons you can teach your children.

- With wants and needs clarified, children should be ready to prioritize and save for what they want most. Suggest your child set aside at least 10% of an allowance, and any other received money, to help create a saving habit. Then help calculate how much needs to be saved every week for a special pair of sneakers or “to die for” earrings.
- Show them the money. Use online banking and regularly log in with your child to show them how their deposits are growing and dividends are accruing – and, how the power of compounding lets the money they save work even harder. Review their account statement and explain each section so your child understands the importance of smart account management.
- Check out [Feed the Pig for Tweens](#), a hands-on financial literacy program for 4th, 5th and 6th grade students and teachers. Let your kids play the “Great Piglet Challenge” where they’ll have fun learning about wants and needs while spending and saving.

Ages 11 to 14

- Your child’s needs are changing, and there is usually more pressure to follow fads at this age. This may be a good time to reevaluate their allowance amount and payment frequency. Instead of weekly, consider paydays of every two weeks or even monthly. Longer pay periods help kids learn to pace their spending and hopefully budget their money more effectively.
- If the time is right, introduce your kids to the basics of investing and the stock market. Learn about stocks, bonds and mutual funds at [the mint](#), which has sections for kids, teens, parents and teachers.
- An Ent [Galaxy Student Account](#), for ages 13 through 17, is the next step in learning about money management.

Ages 15 to 18

- These are important years for your child’s financial development so keep the dialogue about money open and honest. Keep in mind kids want a discussion rather than a lecture.
- Encourage saving for long-term goals, like cars or college. Teens need to understand it takes the same saving habit, but more dedication, to save for something beyond a short-term goal, like a CD.
- The National Endowment for Financial Education [High School Financial Planning Program](#) consists of a seven-unit student manual and instructor’s guide as well as a continually-growing collection of resources, articles and financial tools for teachers, students and parents.
- Before they leave home, teens need to know how to manage a checking account. Ent’s [Free Student Checking Account](#) includes checking accounts and debit cards for teens that are at least 15 and meet other eligibility requirements. It’s important for your teen to understand debit card transactions are withdrawals directly from their checking account. Remember the rule: Don’t use the card – or write a check – unless the money is in the account!
- Show your teen how to use the tools within Ent’s [Online Banking](#) system to monitor, manage and reconcile their checking and saving accounts. From email and text alerts to mobile online banking and

account transfers, Ent can help your teen stay in control anytime, anywhere. Not sure where to start? Check out the online video demos and user guides for all the latest information.

- Discuss the basics of credit, especially credit cards. Your teen needs to understand that a credit card purchase is a loan, and a minimum payment is typically due every month. Explain that not paying the credit card's balance in full each month results in paying interest, which adds to the cost of items charged to a credit card.
- Especially in the early teen years, your child needs guidance about employment. Discuss together how much time can be spent at a job without jeopardizing school work and after-school activities, transportation arrangements to and from the job and clothes that may need to be purchased. Teens can learn valuable lessons from having a job, including proper workplace behavior and the importance of being on time. In addition, that first pay stub is usually a teen's initiation into the realities of state and federal tax withholdings and FICA payments which make up the eye-opening difference between gross and net pay.
- Once your child has earned income from a job, or even a home business, consider having them open an Individual Retirement Account. IRAs offer great benefits and can teach your child the importance of saving for the future. Learn more about Ent's [IRA options](#).
- Before your teen begins driving, discuss how transportation costs, including insurance, gas, maintenance and repair expenses as well as use of a family automobile, will be divided between parent and teen. If your teen has enough saved to purchase a used vehicle, usually having you as a co-borrower will mean a better interest rate on the loan. If you are willing to cosign on a loan, make sure your teen understands any late payments will also impact **your** credit score.
- Discuss planning and paying for college. It's comforting to know that very few students pay the full cost of college. Financial aid in the form of grants, scholarships and work-study programs can significantly reduce the cost of a college degree. And, if money has been set aside for the college years, dependence on student loans can be greatly reduced.

Review these websites to help get the information you need:

- [Federal Student Aid](#): information from the U.S. Department of Education
 - [College in Colorado](#): information from the Colorado Commission on Higher Education to help students and parents plan, apply and pay for college
 - [College Invest](#): a resource for college savings plans and financial education
 - [Common Sense for College](#): information on higher education and how to pay for it, plus a list of "cheap" colleges
 - [The College Board](#): information on nonfederal financial aid
 - [Paying for College](#): information on Ent.com
- Finally, the more guidance you can provide along the way, the more likely your teens will become financially stable adults. Don't overlook the most basic lessons because you think your kids have already learned them. And, don't make money and the household budget a secret. Get them engaged as soon as possible and keep them engaged; you'll be helping them gain the financial independence they need to function in the "real world."

Check out these websites for valuable financial information for kids – and families:

- Free resources from the [Jump\\$tart Coalition Clearinghouse](#)

- [Biz Kid\\$](#) : where kids teach kids about money and business
- [Feed the Pig](#): saving and money management tips
- [Bureau of Engraving and Printing](#): information and activities about money
- [U. S. Mint](#) : games and activities about coins
- [Education Cents](#): college planning information from the Colorado Department of Higher Education
- [Federal Reserve](#): publications for students and teachers
- [Practical Money Skills for Life](#): interactive games to help students learn basic financial concepts
- [360 degrees of Financial Literacy](#): financial education from the American Institute of CPAs
- [National Endowment for Financial Education](#): financial literacy programs
- [Money As You Grow](#): information and activities for ages 3 to 18 from the President's Advisory Council on Financial Capability
- [My Money](#): information, games and fun facts for youth from the U. S. Government



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