### Financial Literacy Tips to Share with Your Kids

* **Save from the start.** Possibly the most important lesson you can teach your kids is why and how to save their money. If they don’t already have a personal savings account, help them open one and make regular deposits with money earned from chores, allowance or a part-time job. Work with them to create long- and short-term savings goals.
* **Pay an allowance.** An allowance gives kids a hands-on opportunity to manage their own money each week. Establish a list of chores or tasks they must accomplish each week to earn their allowance so they understand money isn’t just given away. Each child will be ready for an allowance at a different age, but 5 or 6 is often a good time to start. You should explain to your children what they are expected to pay for with the allowance. It may be meant to cover splurge items, such as new toys or pizza after school with friends, or you might ask them to chip in on other expenditures, such as equipment they will need for a sports team. On all of these questions, there is no one correct answer, so you can pick the approach that’s right for your family.
* **Develop a budget.** Face it: kids want stuff. A simple budget can help them map out how much they should save versus how much they have available to spend each week. Explain that the family household operates on a budget as well, just on a slightly larger scale.
* **Talk about taxes.** You don’t have to go into great detail about the U.S. tax code, but you can let them know that taxes are a fact of life. If you pay sales tax on your back to school purchases, that will provide a real world example.
* **Teach priorities.** Wanting something and wanting it right now isn’t just a characteristic of the young. But you can reinforce wants versus needs, spending within your limits and spending according to a budget. If they have twenty dollars in hand, but want an item that’s twenty-five dollars, help them map out a plan to achieve their goal without letting them off the hook by just making up the difference for them.
* **Don’t Wait.** Even young children are able to understand what it means to build—or save—towards a goal, such as a toy or trip to an amusement park. Parents can help by encouraging their children to set aside money they receive for birthdays or holidays to save up for a special purchase. Older children can save money earned from afterschool or weekend jobs, and parents can give younger kids small jobs to help them earn money.
* **Make It Fun.** Help your children create colorful charts that monitor their progress or illustrate the chores they can do around the house to earn money. Suggest that your child draw a picture of what he or she is saving for and use it to decorate the piggy bank or jar holding the savings.
* **Turn It into a Family Project.** Talk to your children about the steps you take to save toward long-term goals or to cut down on your expenses. You can involve them by giving them a grocery list and asking them to find coupons for the items on it. Figure out how much the coupons have saved your family and “reward” them with a portion of the savings.
* **Understand their Priorities.** Long-term objectives, such as saving for college, likely won’t mean as much to your child as more immediate goals, such as a new bike or a night out with friends. So, while it’s a good idea to show them their college savings account statement and discuss how and why you contribute to it, remember that they will get more excited about shorter-term rewards.
* **Repeat Often.** Dealing with financial issues is part of everyday life for adults, which means there are a lot of teachable moments available. Talk to your children about how you manage your money, including your efforts to save for short-term goals, like the family’s annual vacation, and long-term objectives, like college or retirement. Point out some of the ways you save money each day, such as bringing a brown-bag lunch to work or carpooling with co-workers. This kind of dialogue helps introduce them to good habits that will last a lifetime.
* **Stand Your Ground.** Of course, your children won’t have much motivation to save if you buy them a toy whenever they ask or pull money out of your wallet whenever they want to meet friends for pizza. Although it can be hard to say no, keep in mind that by doing so you are helping them to learn how to budget and about the value of delayed gratification.
* **Encourage Savings.** Whether you require your children to save some part of their allowance or not, it’s a good idea to open savings accounts for them and suggest that they set a small amount aside whenever they receive it, including birthday gifts or money they earn from summer jobs. Of course, savings aren’t meaningful unless they have something to save for. When your child is dreaming of an expensive electronic gadget or some other pricey item, explain that he or she can have it—-when there’s enough cash in the savings account to buy it. This will teach your children the value of saving and teach them an appreciation of money and the things it can buy.