

5 Tips For Teaching Money Management To Your Kids

Teaching money management skills to your kids is an essential first step toward future financial security. Proper money management skills will help your kids be more responsible, teach them to save, and help them make the most of their money. Here are five simple, practical tips for giving your children a healthy financial foundation.

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1. Encourage saving

We all know it can be a challenge to convince kids to hold onto the money they receive. Helping your child open a savings account can encourage saving and teach them basic banking tasks, from depositing birthday checks and allowance money via their mobile device to using an ATM card. The real-world experience of managing their finances gives them a sense of responsibility and independence while also teaching them about interest rates and how their money continues to grow just by sitting in a bank account.

A lot of parents open a savings account shortly after their child is born, but the child really isn't an active part of that account. It's best to open an account for your child when they can play an active role and are able to understand the concept of money.

2. Use apps to your advantage

Kids who are digital natives are primed to learn through apps. Smartphone and tablet apps are fun and may make tweens and even teens more inclined to listen to your money lessons. Younger kids can use parent-approved and downloaded apps to learn how to recognize and count coins, while older kids might keep track of time spent on chores in order to earn and manage their allowance.

Additionally, you can sign into online banking with your child and help them monitor their funds. This is a great hands-on way to teach money management and watch their savings grow.

3. Proper budgeting

Budgets are most effective when introduced at a young age. Sit down with your kids and talk about what a budget is and what categories it has, like rent, bills, groceries, and transportation.

As they get older, work with them to develop their own budgets and help them understand how much money they have to spend versus their total expenses. This will help them learn how to prioritize needs over wants and to set long-term goals for big ticket items like a new computer or a car.

4. Needs versus wants

Probably the most important conversation a parent should have when teaching a child about money is the distinction between wants and needs; a vital concept for kids to understand. The key foundation to being financially literate is understanding how to spend money wisely.

Start a conversation with kids by asking what would happen if your family spent an entire paycheck on toys, games, or going to the movies, with nothing left to pay other bills. Explain that while everyone wants to spend money on fun things, you have to pay for needs—like food, shelter, electricity, gas—before you can buy items that are wants.

5. Take advantage of teachable moments

Some parents have a tough time talking with their kids about money, wrestling with what financial facts kids should know, and when it's appropriate to teach these concepts. But not talking to your kids about money may mean they'll have a harder time dealing with the transition to early adulthood and financial independence.

Use regular family activities, like going to the grocery store, as opportunities to introduce and instill smart money habits. Let your child use your phone's calculator to add the cost of items going into the cart. Share the grocery list with them and make shopping fun by turning trips to the store into a savings challenge. Show older kids how they can use the Internet for comparison pricing, learning the difference between more and less expensive items. Turning savings into a game is a great way to get kids excited about money management.

Banking with Your Child

Teaching money management to your kids is an important part of being a parent. Like riding a bike, basic financial skills are easier to master when we're young. The earlier you begin talking to them about money, the better you'll be able to prepare them for the future. For more information on starting your kids on the path to financial success, call a PlainsCapital Bank representative at 866.762.8392.