

CASH-SAVVY KIDS

Instead of waiting until they leave the nest, parents can help kids learn to manage their money while they are still at home.

By Ann Muder

My husband and I watched our 2-year-old daughter climb on and off the kiddie rides at the mall. She seemed content, so we didn't bother to put in any coins. After a few minutes she looked at us, exasperated, and asked, "Doesn't anybody have money?"

Kids figure out early that they need money, specifically ours, to get things they want. But how do you teach them to manage their money wisely?

It's a question many parents don't think about until it's too late, says Janet Bodnar, deputy editor at Kiplinger's Personal Finance magazine and author of *Raising Money Smart Kids*. She gives a talk to the senior-class parents at Gonzaga College High School, Washington, D.C. every year about preparing kids to make good financial decisions while on their own at college.

She says many parents think about big financial issues, like tuition and scholarships, but not as much about their kids' spending habits. Then at college, their kids spend tons of money and rack up fees with overdrawn accounts.

"The kids are thousands of miles away, so it's hard to rein them in," she says. "It's easier for the parents to pay the bills than to get them to shape up."

Instead of waiting until they leave the nest, parents can help kids learn to

manage their money while they are still at home. By teaching age-appropriate lessons from preschool through high school, parents can play an important role in how their kids will handle money for the rest of their lives.

Preschool

Parents can start teaching kids about money as early as preschool. At this age, don't worry about teaching them too much, says Bodnar. They still think about money in very concrete terms. "If you offer a preschooler a nickel or a dime, they're likely to take the nickel because it's bigger," she says.

You can start by teaching them how to recognize coins and bills. For example, you can use a toy cash register to play store and teach them the difference between a penny, a nickel and a dime.

You can also show them how money is used to trade for something else. Bodnar suggests taking them to a dollar store and helping them buy something with a dollar bill.

"Kids go to a grocery store here and their parents whip out a card," says Jinhee Kim, Ph.D., associate professor in the department of family science at the University of Maryland. "They need to understand it's not free."

This is also a good age to start teaching

kids to wait for something they want to buy. Kim says she often sees college students (as well as adults) who get in trouble with credit cards because they can't wait to buy something. "That habit needs to be something that they learn at an early age," she says. "They have to wait and can't get everything they want."

Grade School

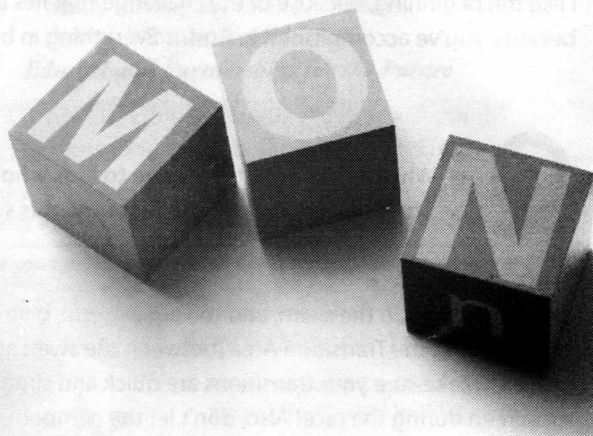
After entering grade school, kids are often ready for an allowance. By assigning small financial responsibilities, parents can help kids get hands-on experience in learning to budget their money.

"It enables kids to make mistakes when the stakes are low," says Jayne Pearl, author of *Kids and Money: Giving Them the Savvy to Succeed Financially*.

"You want them to make mistakes and buy things that break. They have to experience the pain of a mistake to learn from it."

Bodnar suggests that parents start allowances at 6 or 7 years old. "They have to be old enough to figure out how much they're getting," says Bodnar. "So if they're getting \$4, they can say, OK, I can buy x, y or z."

When setting up an allowance, parents should keep in mind what they want their kids to buy. For example, they might decide that the kids should buy their own





drinks at the movies, says Bodnar. "Start simple with one or two responsibilities, and, as they get older, expand those responsibilities."

At around 8 or 9, you can also help your child to open a savings account. While many parents do this when their child is much younger, by grade school, kids can start to understand how a bank works. At this age, they're old enough to understand that when they put their money in the bank, they won't get the same exact bills back, says Bodnar.

High School

By high school, kids should have some experience managing their allowance and are ready for outside work. Parents should encourage kids to work at least during the summer months, says Bodnar. This gives them valuable experience in handling a job, including showing up on time, getting along with their boss and managing their own money.

Having a job can also give them real-world experience in other personal finance areas, says Kim. For example, she says teenagers can start learning about transportation costs, taxes and even contributing money to a Roth IRA.

At this point, teenagers should also be able to handle a checking account and an ATM card. Bodnar suggests that parents

use "baby steps" to help ensure that teenagers learn to track their expenses and won't overdraw their account. For instance, in high school, they might get an ATM card. Once they have proven they can keep track of their expenses, they can get a debit card when they go to college.

As for credit cards, experts have different opinions on when to allow them. Pearl suggests secured credit cards with a limited amount of money can help teenagers learn to use them wisely while under their parents' roof. "They need to understand how they work and what the dangers are," she says. "Let them know that interest is their best friend when they're saving but their worst enemy when they're borrowing."

Bodnar says kids shouldn't have a credit card until they're about to graduate college and have had plenty of experience handling their own money. "Then, when they're out in the real world, they won't have any credit card debt that they're carrying over from college."

Experts do agree that the best thing parents can do is to be a good role model for their kids. "Teaching kids is important, but they can easily find out how the parents are doing," says Kim. "It's really important for parents to straighten out their finances as well."

Established 1967
BOWIE MONTESSORI CHILDREN'S HOUSE
 5004 Randonstone Lane Bowie, MD 20715

22-Acre Outdoor Campus
 for Exploration and Discovery

TODDLER • PRESCHOOL
 ELEMENTARY • JUNIOR HIGH

Currently Accepting Applications

Offering Extended Day Programs
 For More Information
 Call 301-262-3566

An Outreach Ministry of
 Mt. Zion United Methodist Church

His Kids
 Preschool

- Stimulating, hands-on learning in a loving, Christian setting
- Weekly Chapel
- Fully Licensed
- Afternoon Enrichment
- Summer Camps

Playgroup for two year olds
HALF DAY Programs for 3 & 4 year olds

410-867-4981
 122 Bayard Road • Lothian
www.mzumc.com

Bowie Christian School
 An Outreach Ministry of the Bowie Church of Christ

Providing quality Bible-based education in a safe and loving environment

Classes for Preschool - 12th Grade
 Homeschool Umbrella and Support Group Available

Serving the Bowie Community for over 40 years

301-352-7106

2518 Kenhill Drive
Bowie, MD 20715