



## TEACHING KIDS ABOUT MONEY

Is there a right or wrong way to bring up kids with regard to money management? At what age should we talk to children about the ways of the financial world? When should we begin to teach them about money and fiscal responsibility?

Surveys show that the average student graduating from high school lacks basic skills in the management of personal financial affairs. Many are unable to balance a check book and most simply have no insight into the basic principles involved with earning, spending, saving, and investing. Many young people fail in the management of their first consumer credit experience, establish bad financial management habits, and stumble through their lives learning by trial and error. While too many children are not being instructed at home about wise ways to handle money, consumer businesses are eager to take up the slack. As parents put shopping cash into the hands of younger children, businesses are also targeting kids as young as eight years old. In addition to corporate marketing, spending habits are influenced by peer behavior and pressure.

Kids, especially in Hong Kong, are constantly bombarded with new gadgets all around them. It is not unusual to find a ten year old with the latest mobile phone. This kind of self-confidence building measures through possessions can lead to severe debts

in adulthood. In a fast paced, money centric society like Hong Kong, it becomes even more important for parents to instill good money habits with their children. Parents may be afraid that they will come across as money-minded or that the child should not be exposed to the world of money, yet money management is a life skill as important as reading or writing. Moreover, recent events show us the importance of teaching our children the fundamental skills of handling money.

Let your child learn about the fundamentals of money from an early age. Talk about the importance of money and the reasons for saving it. Teach them the concepts of saving, earning and spending. Children love feeling responsible, and this is one way to begin. A good place to start is by giving your child some pocket money and an incentive for saving. For example, you could double the money that they have saved, as a kid's Provident Fund. Encourage your child to share with you his plans for his pocket money. Ask them to budget for a goal that they are saving for. Check with them from time to time to see how they are doing. Encourage them to compare prices when shopping with them. Teach them to calculate the change to practice their math and to help them relate mathematics to a real life situation. Remember, you are their role models and children pick up a lot from you. Let

your actions show them the right way to handle money.

For kids aged nine to eleven, it is important to introduce the difference between needs and wants. Children need to understand that the credit card is not a magic card that produces money on demand. They can be introduced to the concept of salary, currency differences, budgeting, and interest. They can also become familiar with the idea of banking. It is also important to instill the notion of trade-off in the child's mind. They should learn that they cannot have every toy from the toy shop. He or she can save money to buy a toy they really want, but that also means they have to make a choice. It is also important for children to learn about priorities. Parents prioritize their spending, and so will the child someday when he grows up. Children can also be introduced to the concept of charity. Once they learn the value of money, they are in a better position to understand the hardships of others who do not have money, and will better understand the need for donation and charity.

Teens will begin to become curious about finances. Besides instilling in them the good habits of saving and spending sensibly, it is important for them to understand the world of investments. Soon they will be joining society as earning individuals, they will hear a lot of hot tips on making fast money, and they will see their colleagues or peers making risky and potentially disastrous investments. They will see their money being eroded by inflation. Teens should be taught the basic economic fundamentals which

will help them through the various economic situations to which they shall soon be exposed. Hence, teaching teens about the investment world is the final stage of the money management lessons. Talking to them about the current financial scenario and explaining investment vehicles like stocks and bonds gives them an idea of the potential risks and opportunities these carry.

All in all money management skills are a lifetime learning process. We should not have to wait for our children to learn it the hard way through experience. Parents should not have to wait for their kids to fall into debt or make bad decisions with their savings to realise the importance of these skills. If there is anything to learn from the current financial crisis it is that we must ourselves be parsimonious with our money and must provide our child with the opportunity of becoming more responsible individuals with their money.

Caring about the world and caring about money are lessons parents have the power to teach their children. While personal finances cause most adults much stress, educating their own kids at a young age will help these children grow up to be less anxious and more financially secure adults.

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