

Let's Talk Finances

Teaching Young People About Money



By Charles Schmalz
President of
East Wisconsin Savings Bank

It's never too early or too late to introduce everyday financial concepts to a young person. And, you don't have to be a financial expert. Here are some tips to help parents, guardians and caregivers show a child — from a preschooler to a college kid — why and how to become responsible with money.

Engage in regular conversations about money-related topics. That includes discussing with your child what you are doing, and why, when you manage money at home, around town or with the bank. For example, consider talking about similar products that have noticeably different prices at a store, and how you decide what is a good deal. And, you can explain that having a savings account at a bank has advantages such as income from interest, and peace of mind of knowing the money will be there when you need it.

If you are using plastic to pay for purchases, consider explaining the difference between a debit card, which is like writing an electronic check, and a credit card, which requires the consumer to make a payment in the future.

Even with automatic transfers, such as direct deposit of your pay, consider using your bank statements to show how money can move in or out of your account.

And, special times of the year — like during tax time or your workplace's "open season" for selecting health insurance — present opportunities to explain financial decisions.

Consider giving an allowance as a teaching tool. It can be a positive way to teach kids, even those who are preschool age, about money management. But before you give the first allowance, help your child decide how much he or she will spend now and how much to save for future goals. Then, help your youngster see whether that target is being reached by looking at a bank statement online or a paper copy. Also talk through the tradeoffs involved with spending decisions, such as how buying one toy may mean forgoing the opportunity to purchase another item the child also wants.

There are many approaches to how best to structure an allowance, particularly whether to tie it to work such as household chores, so each family will need to decide what is best for them.

Think twice before giving a child more money if he or she runs out of funds before the next allowance payment. That's because part of the purpose of an allowance is to teach savings skills, self-control and the benefits of waiting to enjoy a bigger reward.

And, for younger kids, consider paying an allowance in smaller denominations to make it easier to learn counting and saving skills.

Help your kids develop a healthy skepticism of advertising and unsolicited inquiries. In general, teach children how to analyze advertisements; they need to know that "special offers" often are not the great deal they appear to be.

Even young consumers are targets for identity thieves and among the victims of scams and rip-offs. Information for parents on protecting children's personal information from identity theft is available at consumer.ftc.gov.