



TEACHING YOUR KIDS "How to Money"

NCB CAPITAL MARKETS
LIMITED

Money management isn't solely for adults; your children can learn too. Actually, it is best you start teaching your children basic concepts early so that they will be better at managing financial matters when they get older. Teaching simple concepts such as 'money is earned' will bring them a far way when it comes to handling their own money. In an interview with Forbes, billionaire Warren Buffett, noted that: "It's never too early to help kids understand about money. Whether it's understanding the cost of the new toy they want, or the value of saving money, kids are exposed to money matters from a very young age, so why not help them understand it and develop healthy habits early on?"

In this, one of our articles for Child Month, we will focus on some basic steps parents can use to help raise financially literate kids. This first article looks at money concepts for children in kindergarten as well as preparatory or primary school.

Basic Concepts of Money Management

Kindergarten

From a tender age, you should ensure that you instil in your children an appreciation of the value of money. For your younger children, it may be best to start with teaching them how to save first, before you touch on more complicated topics such as investments. Savings is one of the most basic concepts you can introduce to your kids. As a starting point, you can get your child a clear container to save in. This way your child is able to voluntarily contribute money toward savings and build a sense of responsibility and accomplishment. Moreover, when your child uses a clear jar, it gives them a very good visual as they are able to see the money accumulating and this will provide motivation to keep going. You can let them accumulate funds or save for things they want. Let's say for example that your child wants a new toy, you can let them use savings to cover

all or a part of the cost of the toy. This way they can feel a sense of accomplishment from saving for their own purchase.

When the concept of saving is cemented, you may want to set up a savings account for your child. Take them to the bank and give them the experience of opening an account. Have them transfer money from the Piggy Bank to a savings account where they can earn interest. In an age of technology, it may also be exciting to make use of apps, such as *Saving Spree* or *Bankaroo*, to educate your children about managing finances. Additionally, there are numerous books available to help teach children about money including *How the Moonjar Was Made* by *Eulalie Scandiuzzi*. This book is ideal for children aged between 2 and 7 years and it is about a dreamer and a thinker who work together to learn about the three S's: saving, spending and sharing.

Your 6-12 year olds

This is also a good age to teach your kids about earning and spending money. Paying your children money to do specific jobs around the house, can teach them that there is no free lunch. These “jobs” should be outside of their regular chores that they do as part of contributing to the smooth running of the household. For example, when Ann-Marie was young, her dad would pay her to clean his shoes or do other small tasks. However, she still had to do her daily chore of washing the dishes; no payment involved. You can also give your children opportunities to spend money. Give them the money you would normally use to purchase their snacks and juices in the supermarket. Let them pick up the snacks and pay for it. If you can afford to, give them a little extra on their lunch money. Encourage them to save this extra cash leftover from the week's lunch money or gifts of cash given to them by relatives.

Children in prep or primary school are also better able to understand more advanced concepts such as opportunity cost. You can allow them to choose while teaching the lesson that choice will have associated costs. At this age, your kids should be able to weigh decisions and understand the possible outcomes. Technology can also be utilized here through more advanced apps such as *FamZoo Family Finance* which allows older children to take more responsibility for their personal finances. *How to Turn \$100 Into \$1,000,000* by *James McKenna and Jeannine Glista* also provides an excellent primer on money and finances for kids in this age group. This book covers financial goal setting, how to make money, save money, and invest money. The book includes fun, tri-colour illustrations, clear language, and a glossary for more difficult terms, as well as a business plan and budget tracker template which help make the learning process fun.

As a parent, you have a major role to play in helping your child to develop good money management skills. It is your duty to begin educating them early by starting with basic money management skills. As a starting point, engage preschoolers through more visually appealing methods such as a piggy bank, an app or books. This will better heighten their participation in the process and hence make the education process easier and more fun. Your primary school aged kids are better able to understand more advanced concepts and as such, they will better grasp the idea that one choice comes at the expense of another and will be better judges when it comes to finances. Let's teach our kids how to money early!

#financialliteracyforkids