

Abstract: Kids who learn about money when they're young are more likely to develop sound financial habits when they're adults. This brief article offers tips on how to raise financially responsible kids at various stages of childhood.

Raising financially responsible kids

If you help your kids understand money when they're young, they're more likely to develop sound financial habits when they're adults. Of course, you'll want to tailor the information to your child's age. Here are some tips:

Toddlerhood and preschool. Talk about how most people work to earn money to buy things like food and toys. Bring your kids along on shopping trips and discuss how much various items cost. Point out that buying a more expensive item means less money for other things.

Early elementary school. Explain the difference between needs and wants. Provide a small "piggy bank." It might help if it's a clear container so kids can see their cash grow. Consider offering a small reward when the stash reaches a specific level.

Later elementary and middle school. Decide how you'll handle allowances. Some parents choose to remit an allowance only if certain chores are completed. Others provide it no matter what and discipline the child in other ways. Whatever your approach, teach your child to budget and have him or her set aside part of the allowance to introduce the concept of savings.

Middle school. Gradually increase your child's allowance. Suggest earning extra money through babysitting or other jobs.

High school. If possible, encourage your child to get a part-time job. Reinforce the importance of savings — whether for further education or some other goal. Discuss how to use credit wisely and how interest compounds over time.

Maintaining an open dialogue about finances and modeling sound money management can help you raise financially responsible kids. We'd be happy to provide additional ideas.

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