



How to Teach Your Children About Money

If you want your children to manage their money responsibly when they become adults, take the time to teach them about smart financial habits now. It all starts at home. It's best to lead by example, and showing your kids how to achieve goals through budgeting and saving will give them the confidence to make the best decisions when it comes to their own money. Check out our tips to help give them a head start at any age.

Elementary Students

At this age, little ones are old enough to count. No doubt they've witnessed you spending money, so it's never too early for them to learn about it.

- **Use a clear jar to start saving money.** This gives your kids a visual and allows them to physically see their money grow. For example, yesterday they had two dollars and a quarter, but today, they have two dollars and three quarters. Make a big deal about it when the jar fills up and take it to the credit union to make a deposit into a [Youth Savings Account](#). Then start filling up the jar all over again. This will help keep them excited about saving.
- **Introduce the value of money.** Giving an allowance is a good start, especially if you tie it to finishing chores. Earning an allowance introduces children to the value of money and making choices for themselves. They should experience how money works as well. Take a few dollars from their savings and go to the store. Let them physically hand the money to the cashier, experiencing the transaction for themselves.

Middle Schoolers

By this age, children have an understanding of how money works and what it's used for - saving and spending. They're also old enough to start making their own decisions about money.

- **Teach them about opportunity cost.** When faced with the choice to buy one item instead of another, opportunity cost refers to the value of the option that you don't pick. It's what you give up in order to get the item that you choose. What are the advantages and disadvantages of each option? Figure out what you stand to gain from each option and what you stand to give up if you choose it.
- **Show them the difference between wants and needs.** A want is something that you would like to have, but can easily survive without. A need is something necessary to live, like food, shelter, and even transportation to your job. The goal is to teach your kids that just because they want something, doesn't mean they actually need it. Talk to them about how you choose what to buy at the grocery store and what to pass up. For example, maybe you buy milk but skip soda pop, or you buy toothpaste but not candy bars.

High Schoolers

Teenagers need new levels of independence and responsibility, and it won't be long before they're off on their own. This stage should be about firsthand experiences with a checking account and budgeting.

- **Encourage them to open a checking account.** Every teen needs to know how to balance a checking account. Tools like online banking and mobile banking apps give 24-hour access to

review account activity. While a checking account won't establish credit, it will offer experience in the ability to handle finances. It's a good idea for them to open a savings account as well (if they don't already have one), so they can deposit into both accounts, encouraging healthy financial habits.

- **Help them set up a budget.** Teach your child that their spending should not exceed income. First, they should determine how much income they make each month from a job or an allowance. Then, calculate their necessary expenses each month, like a cell phone bill, and gas or car insurance, if they drive. Subtract the total expenses from their income and determine the amount that's left over. Explain that some should go into their savings account while the rest can be used for fun things like going to the movies or buying concert tickets.
- **Teach them about credit and why it matters.** Talk about how a credit history is considered when you apply for a credit card or a loan to buy a car, rent an apartment, and even get a job. No one is perfect, so if you've made your own credit mistakes in the past, explain what happened and teach your children how they can avoid making the same mistakes. They should understand the importance of making payments on-time every month, and what responsible credit use looks like.

Remember that you're the best resource when it comes to teaching your kids about money. They watch everything you do from an early age, and will likely inherit your spending and saving habits. It's never too early to set a good example and start teaching them how to grow into financially independent adults.