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a | **RAISING
MONEY-SMART
CHILD**

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About credit.org

We are a nonprofit organization founded in 1974.

We offer personal financial education and assistance with money, credit, and debt management through educational programs and confidential counseling.



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Raising a Money-Smart Child

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The logo for credit.org, featuring the text ".org" in white inside a blue speech bubble shape.

Credit.org is a nonprofit consumer credit management organization formed in 1974. Our mission is simple: to provide financial education to members of the general public and families and individuals in need. We are accredited by COA (the Council on Accreditation), signifying the highest standards for agency governance, fiscal integrity, counselor certification and service delivery policies.

Our services include:

Financial Education Programs – We offer seminars, workshops, and educational materials on topics such as budgeting and money management, identity theft, and understanding credit.

Credit Report Review – Our certified coaches work with you to break down your credit report, answer questions, and give guidance for improving your credit score over time.

Confidential Debt Coaching – Our certified consumer credit counselors will discuss your financial situation with you, help you understand what may cause financial stress, and help you create a personalized budget, an action plan and give you options to help manage your finances more effectively.

Debt Management Plans – If you choose this option, we can work with your creditors to reduce costs and repay debt through one monthly payment. **We do not offer debt management plans in all states; please call or check our website for state availability.*

Bankruptcy Pre-petition Credit Counseling and Budget Briefing / Pre-discharge Personal Financial Management Instructional Course – We provide budget and credit counseling (*and a certificate of completion as mandated by the bankruptcy reform law*) for those who consider bankruptcy. We also provide financial education and instruction (*and a certificate of completion as mandated by the bankruptcy reform law*) for those completing their bankruptcy discharge.

Housing Counseling – We are a HUD-approved comprehensive housing counseling agency. We provide homebuyer education seminars, mortgage coaching, counseling for foreclosure prevention assistance, landlord/tenant counseling, post homebuyer education and reverse mortgage coaching (*please call ahead for reverse mortgage appointments*).

Counseling is available by phone, internet, or in person

800.449.9818

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Introduction

Children can have solid reading, writing, and math skills, but they will struggle, even fail as adults if they cannot manage their money. As parents and grandparents, we can change that. We can give them the basic framework to make good financial decisions. Armed with this knowledge, they will become responsible citizens and contributors to their community. We can change their lives.

“Children and teenagers should begin learning basic financial skills as early as possible. Indeed, in many respects, improving basic financial education at the elementary and secondary school level is essential to providing a foundation for financial literacy that can help prevent younger people from making poor financial decisions that can take years to overcome.”

- Retired Federal Reserve Chairman Alan Greenspan



Examine Your Money Attitudes

Examining your own attitudes about money can help you determine what you teach your children about financial matters. The questions below can help you understand the way you feel about money, how you manage it, and what it means to you emotionally as well as financially.

1. Is your approach to financial matters calm and rational?
2. Do you argue about money? Neglect savings? Live paycheck to paycheck?
3. Do you feel guilty about money? Anxious? Afraid?
4. Do you need money to feel “good” enough?
5. Is money a way to express love, anger, guilt, power?
6. Do you overspend? Do you often buy on impulse?
7. Is shopping a pastime or a cure for depression?
8. Is money the goal, or tool to meet goals?
9. Do you pay your bills on time?
10. Do you believe in sharing with the less fortunate?



Grades K through 5 Are Your Window of Opportunity for Money Lessons

The elementary years are the most important time to reach and teach children about money. Why?

- Young children have no preconceived notions about what they can and cannot learn.
- By kindergarten children are already experienced in spending their parents' and their own money.
- They are already consumers.
- Primary spending (what kids ages 8-12 buy with their own money) is \$10 billion and climbing.
- Influenced spending (what parents buy at kids' urging) is \$250 billion and climbing.
- Marketers target children as young as 18 months. They don't wait. Do you want to teach them they have choices about money, or do you want someone else to?
- Spending habits are already set by high school, even middle school age.
- Credit card companies, having saturated the college market, are now going after young teens and "tweens".
- There are spenders and savers in all income levels.
- Inspire kids to save.
- Ignore "you can't take it with you" mentality—that only undermines your financial security.



10 Basic Steps to Teach Kids Responsibility with Money

1. Examine your own attitudes about money
2. Involve your child in family financial planning
3. Give your child an allowance and let him/her be in charge of spending it—when your child runs out of money and still wants something, s/he will have to do without
4. Expect your child to contribute to family chores
5. Provide extra income opportunities
6. Teach your child to save regularly—set aside a portion of all income, including money received for birthdays, holidays, and special occasions
7. Help your child discover the satisfaction of sharing; use every opportunity to teach personal values
8. Show your child how to be a wise consumer—teach him/her to comparison shop and to be aware of persuasive advertising
9. Teach your child a healthy attitude toward credit
10. Teach your child the value of wise investments— pick a stock together and teach him/her how to follow it



Raising a Money-Smart Child

Three Milestone Stages

Any four year old can tell you where money comes from—the ATM, of course. But once kids learn that money buys candy and toys, many begin collecting every nickel. Exposing children early on to the everyday realities of earning money and managing the family’s budget can help shape how they feel about money throughout their lives. The key is to keep it simple in the beginning and provide more details as you go along.

Here’s what they should know at the three milestone stages, based on recommendations made by the Jump\$tart Coalition, a Washington DC based nonprofit that promotes financial literacy in children.

By Grade 4	By Grade 8	By Grade 12
Identify the different types and denominations of money.	Make a short or intermediate financial goal for themselves.	Complete simple income tax forms.
Know about checks and ATM cards—and that you must have money in your account to use them.	Identify examples of taxes on income, goods and services.	Reconcile a checking account statement.
Understand the concept of borrowing money and paying it back.	Calculate simple interest (math teachers come in handy here, too).	Compare risks and returns on various savings and investment options.
Compare the advantages and disadvantages of keeping their savings in a piggy bank, credit union, or with their parents.	Develop and revise a budget.	Understand how creditors use credit reports.
		Compare Annual Percentage Rates (APRs).
		Identify the balance owed, the grace period and due date on a credit card statement.

Basics of Money Management

How to set up a savings program

1. Provide your child with the tools to save. They must have a source of money, preferably earned, that enables them to have money of their own to save.
2. Provide the proper environment where the child can safely keep the money saved. This can be a piggy bank or toy safe or a savings account.
3. Monitor the activity and provide encouragement. Set attainable goals and then reward your child with praise for successfully saving the money.

When/If I should start my child on an allowance

1. Can I afford to pay my child a weekly allowance?
2. Is my child old enough to begin learning about money and responsibility?
3. What household chores do I want to tie to the payment of an allowance?

Saving, Spending, Sharing

1. **Saving**; some portion of the allowance needs to be allotted to short-term and long-term savings.
2. **Spending**; depending on the budget you develop with your child, at any age, there needs to be some money that is the child's fund to spend as he/she wishes.
3. **Sharing**; however small the sum, should be set aside for donations to charity or to the less fortunate, this is a valuable way for a parent to teach personal values.

How to choose chores

1. Jot down what chores your child is currently doing.
2. Think about what extra duties you feel he/she could handle.
3. Allow the child to choose some of the assigned duties.
4. Have two or three mandatory chores (clean their bedroom, take dirty clothes to laundry).
5. Have your child pick a chore from your list (dusting, taking out trash, feeding pets, washing the car).

Jobs children can do for extra money

Clean out garage or basement	Clean lawn furniture	Paint fences
Rake and bag leaves	Wash car	Fold laundry
Clean outside windows	Baby-sit	Water plants

Help Your Child Set Up a Successful Budget

1. Make your list and your child's list of financial goals.
2. Make a list of all possible ways your child spends money.
3. Use the My Goals and My Personal Budget sheet on the next few pages.

Your child's budget should be developed based on three things:

His or her goals, income, and expenses

**Excerpts from "Money Doesn't Grow on Trees, A Parent's Guide to Raising Financially Responsible Children", Neale S. Godfrey, former President of the First Women's Bank, founder of the First Children's Bank, and Chairman of the Children's Financial Network.*

My Goals

A short-term goal should be accomplished within one year. Say you plan to save for Mother's Day and Father's Day gifts, holiday gifts, etc. You'll need to save some part of your money each month to reach that goal in time.

A mid-range goal takes between 2 and 5 years to accomplish.

Long-term goals take over 5 years to achieve. Saving for college or to purchase a car are common long-term goals. Long-term savings that your child puts away should only be used under an extreme emergency or for a specific long-term goal.

Sharing savings, or charitable savings is fairly straightforward. This is a specific sum that you and your child have allocated for this purpose. Decide together which charity should receive the monies and how often (weekly, monthly, or in one lump sum.)

Financial Goals	Target Date	Total Needed	Current Savings	Additional savings needed	# of weekly allowances until target date	Savings needed per allowance	Savings needed per month
<i>Example: A new bike</i>	12 months	\$200	\$85	\$115	52	\$2.22	\$9.58
Short-Term Goals							
Mid-Range Goals							
Long-Term Goals							
Sharing Goals							
Total:							

MY FINANCIAL GOALS

Write down your financial goals.

Personal Budget

NAME: _____

TIME PERIOD: _____

INCOME (after taxes)

Job #1 \$ _____

Job #2 \$ _____

Allowance \$ _____

Other \$ _____

Total: \$ _____

SAVINGS AND SPENDING

Savings \$ _____

Food \$ _____

Clothing \$ _____

Entertainment \$ _____

School Supplies \$ _____

Gifts and Contributions \$ _____

Transportation \$ _____

Insurance \$ _____

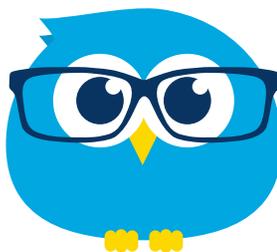
Loans/credit payments \$ _____

Other _____ \$ _____

Miscellaneous \$ _____

TOTAL \$ _____

Savings +
spending should
equal income. Any
money not spent
should be saved!



Raising a Money-Smart Child

Activity Corner

SET UP A SAVINGS PROGRAM

Goal:

To teach the importance of saving and to impart techniques and strategies that will help your child save successfully

Tools:

Piggy bank, toy safe, savings account

What to do:

Depending on your child's age, set up a piggy bank, savings account, etc. Teach your child to save as much as possible, but no less than 10% of their income, whatever the source. Set savings goals, emphasizing both short and long-term objectives.



THE COMPARATIVE SHOPPING GAME

Goal:

To teach the basics of budgeting and comparative shopping

Tools:

Pad, pencil, and calculator

Rules:

At the beginning of each aisle in the store, the parent assigns the child an item (or items for older kids) and a budget.

Example: paper products aisle
Item: two rolls of paper towels
Budget: \$3

How to win:

After all the shopping is completed, if the youngster comes under the allotted budget, he or she gets to keep the savings. The child with the most money saved wins the game.

Mission:

The child must find the item the parent wants without spending more than the budget allows.

As you begin to play this game in the grocery store with your child, it is a good time to show him/her generic brand products. Explain why you believe some generic products are better or worse than others. Don't forget to look at the ingredients on the labels-this may help in your case!

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Activity Corner

THE COUPON GAME

- Goal:** To teach a child how to use coupons effectively
- Tools:** Coupons clipped from newspapers or magazines
- Rules:** Coupons must only be for items on a basic necessities list or on your shopping list.
- How to win:** For every item chosen by the child that the cashier accepts with a coupon, the child gets to keep the money saved from the coupon.
- Mission:** To show your child how coupons work. Usually there are specific product sizes that must be chosen, there are expiration dates, and only limited quantities can be purchased.

THE TV COMMERCIAL GAME

- Goal:** To teach your child how to become a smart consumer
- Tools:** A children's show on television; a grocery store
- Rules:** Watch a TV program with your child and pay special attention to the commercials. Explain the difference between the program and the commercial.



Ask the child if he or she remembers the many products there are in a grocery store. Then explain that because there are so many choices, the people who make a particular soda or cereal want to convince you through their commercial to buy their product.

Have your child pick a new product to taste-test, like a soda or cereal. Then go to the grocery store and let your child find that product. (If it's a kid's cereal, he or she will probably find it in their reach. Explain that manufacturers put the cereal there so that kids can see it.)

Buy a similar brand, and then at home conduct a taste test with other family members. Blindfold them and let them pick their favorite, the best tasting corn flakes or soda.

- How to win:** If the product your child picked from the TV commercial was the choice of the family, then he or she wins. Remind him or her of the points the advertiser was stressing. Was it crisper? Did it have more raisins? Etc...

- Mission:** Make your child aware of commercials so that the child can't be unduly influenced, and so that he or she will learn how to be a better consumer.

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Parent Resources

- **Mint**

<https://www.mint.com/ultimate-resources-for-teaching-kids-about-money>

From Intuit, a site with many great resources for teaching kids about money.

- **CitiGroup—Credit-ED**

<https://online.citi.com/US/JRS/pands/detail.do?ID=FinancialGuidance>

This Citi Cards site introduces tips that everyone needs to use credit wisely. Featured sections include “spend wisely”, “credit card ABC’s”, and “be protected.” Or <https://www.citibank.com/citigroup/financialeducation/curriculum/index.htm>.

- **Credit Union National Association—The Credit Union Guide for Student Money Makers**

<http://googolplex.cuna.org/13228/>

Provides interactive and educational activities for elementary, middle school and high school levels.

- **Institute of Consumer Finance ICFE**

www.financial-education-icfe.org

A consumer oriented, nonprofit, public education organization. Look under the Children and Money section for informative education information for you and your child.

- **Jump\$tart.org—Jump\$tart Reality Check**

<http://jumpstart.org/reality-check.html>

Based on the answers to a quiz about the expenses of life—they will be provided a reality check of approximately how much they will need to make an hour or per week to support their lifestyle. Provides a sample of jobs that fall into the pay scale; the level of education needed to get a job within their price range. Perfect for 11th and 12th graders.

- **Money As You Grow**

<http://www.consumerfinance.gov/money-as-you-grow/>

From the Consumer Financial Protection Bureau, a site that helps parents provide money skills, habits and attitudes that will serve their kids well as adults.



- **Handsonbanking.org or www.elfuturoentusmanos.org**

A free, fun financial education program that presents the basics of smart money management in an easy-to-use format.

Children's Books on Money

(Some resources may be available at the public library, bookstore, or internet)

Adler, David, Where the Money Is. Franklin Watts, Inc. 1985

Berenstain, Stan and Jan, The Berenstain Bears' Trouble with Money. Random House, New York, 1988

Berenstain, Stan and Jan, The Berenstain Bears' Get the Gimmies. Random House, New York, 1988

Burkett, Larry, Get a Grip on Your Money. Focus on the Family Publishing, Pomona, California, 91799, 1990

Cribb, Joe, Money: Eyewitness Books. Alfred A. Knopf, New York, 1990

Drew, Bonnie, Money Skills: 101 Activities to Teach Your Child About Money. The Career Press, 1992

Elkin, Benjamin, Money, A New True Book. Regensteiner Publishing Enterprises, Inc. 1982

Fodor, R.V., Nickels, Dimes, Dollars. William Morrow & Company, 1980

Godfrey, Neale S., The Kid's Money Book. Checkboard Press, New York, 1991

Godfrey, Neale S., Money Doesn't Grow on Trees. Simon & Schuster, 1994

Merrill, Jean, The Toothpaste Millionaire. Boston, 1972

Mitgutsch, Ali, From Gold to Money. Carolhoda Books, Inc., Minneapolis, 1985

Moe, Harold and Sandy, Teach Your Child the Value of Money. Harsand Financial Press, 1987

Peterson, Jean Ross, It Doesn't Grow on Trees. Betterway Publication Inc, 1988

Schwartz, David, If You Made a Million.
Lothrop, Lee & Shepard Books, William
Morrow & Co., Inc NY, 1989

Wallace, G. David, Money Basics. Prentice
Hall, Inc., NJ, 1984



Money Advice for Every Age Group

- 0 to 4 years:** Involve your children in household chores. Don't give them money for it yet—get them used to helping out without expecting to be paid for it. You should, however, let them play with money appropriately if they're curious about it.
- 4 to 5 years:** Begin giving your children a small allowance each week, and make sure they set a portion of that aside in savings and, depending on your priorities, for charity. Begin teaching them basic rules about money, like cash transactions and banking. Periodically, as their piggy bank fills up, take them to the bank to deposit their savings in their own bank account.
- 5 to 6 years:** Change the weekly allowance to incorporate the tasks your children are expected to complete. It's appropriate to dock a portion of their allowance if they don't fulfill their household obligations. It's important to make a strong connection between work and pay, but you shouldn't make it personal.
- 7 to 8 years:** Now is the time to begin giving your children more power over how they spend their own money, but they'll need gentle guidance about savings goals. Help them understand when birthdays and holidays are approaching and it's important for them to set aside some of their allowance. Matching a child's savings might be an appropriate way to help them make a purchase without simply giving them everything they want.
- 9 to 11 years:** You can start teaching your children about more advanced concepts now, like compound interest. Go through the paperwork on their savings account (they'd better have one by now!) and show them how saving can earn them extra money. This is also a good time to stress saving for college, if you haven't already.
- 12 to 16 years:** Your children can now be responsible for their own spending decisions. If you've taught them to save and have them on an allowance, then many of the typical burdens of parenting a teen can be lessened. We're not suggesting that you become an ogre, but if your kid wants a \$50 pair of jeans when a \$20 pair will suffice, then he or she is going to have to foot the extra \$30.
- Of course something big is coming up: sweet 16. Will your child have a car? Will she or he pay for a portion of it? What about gas and insurance? Consider getting an old car from the junkyard and giving it to your 15-year-old along with a toolkit and a Chilton manual. If they can get it running by age 16, the kid has a car. At least then your child will know something about automotive maintenance and will be able to do some of the repairs (and be less helpless when the car breaks down, less likely to get ripped off by an unscrupulous mechanic, and so on).
- 16 to 18 years:** Now is the time for summer jobs and part-time work. If they want that car to go out with friends, then they can work to pay for it. You've taught them the value of a dollar, and they should understand by now that nothing comes free. If all has gone well, they'll be making sound money choices and maintaining their savings.
- 18 and up:** They're all grown up, like it or not. It's time to stop the weekly allowance and let them fend for themselves. They should be fine if you've taught them to manage their money well. You can keep helping them if they're in college and can't earn enough on the side to get by, but the weekly allowance will be over. They can also make some decisions about their college fund now, too.

Another thing that you might as well take care of now is their first credit card. If they don't have one at 18, they're going to get one soon. You might as well help them get it and manage it wisely. Don't let them carry balances from month to month, and stress to them that one credit card is all any consumer needs. Our advice to college students without credit is to get a gas card and use it only at the pump. It's a small, manageable expense that can be paid off monthly, and it will go a long way toward establishing good credit if they handle it responsibly.



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