

Dollars & Sense For Kids



Teach Your Kids To Be Financially Successful Adults

How do kids learn about money? It doesn't happen by osmosis. They don't magically learn to become financially responsible. Nor do they usually learn sound personal finance practices in school. They have to be taught these principles and allowed to practice them (on an appropriate scale) from an early age.

How will you teach your children to be more financially successful, avoid living from paycheck to paycheck, and steer clear of crippling credit card debt?

If you want your kids to grow up to be financially responsible adults, you have to let them handle money often and from an early age. They need to practice spending, banking, and savings. They need to learn what it feels like to "blow their wad" on something frivolous and not have money available for something they really want or need.

In his book *Allowances: Dollars and Sense*, financial planner Paul Lemitte outlines a proven system for teaching your kids about money. He talks about six dangers that you as a parent face if you don't have a system for teaching your kids healthy habits and attitudes about money. These include:

Financial Dependency– your kids could become financially irresponsible, have poor money skills, become deeply in debt, or remain financially dependent on you.

Destructive Values– your kids could develop destructive values about money, equating it with self-worth, or becoming addicted to possessions. They may believe that their happiness depends on having all the latest gadgets and toys.

Debt– your kids could become victims of paralyzing credit card debt and have no understanding of how to set financial goals, save money for the future, budget, or be a wise consumer.

Loss of Confidence– your kids could lack the confidence to make sound financial decisions, which could affect other parts of their lives.

Teaching the Wrong Thing– in spite of your good intentions, you could teach your kids the wrong values about money.

Family Conflict– families are often torn apart by financial disputes. You need strong principles and a plan of action to avoid the tension and arguments over money that can destroy family relationships.

Lermitte discusses universal principles that parents need to understand in order to teach their kids financial responsibility. These principles are:

Talk About It– Discuss money issues with your kids on an ongoing basis.

Start Early– It’s preferable to start discussing money with your kids by age 5 or 6.

Give Up Control- Let your kids do things themselves. Let them make deposits and withdrawals, make their own purchases, decide what they want to spend their money on. Offer advice, but let them do it themselves.

Let Them Make Mistakes- Even if you think your kids are spending their money on the wrong things, let them do it. They’ll learn from it.

Set Limits- Give your kids enough money to learn important financial principles, but not so much that they think money is unlimited. Let them learn to make choices based on financial limits.

Provide Structure- Help your kids establish a consistent saving and spending plan so they will have some type of structure to work within as you let them learn financial principles.

This book discusses all of the above in detail, and describes the author’s method of teaching his own kids about money. It answers such questions as:

How can you teach your kids to value money when they don’t work for a living?

When do you start giving your kids an allowance and how much should it be?

How do you teach them to save for the medium-and long-term?

Where do you draw the line between “wants” and “needs”?

How do you help them make wise buying decisions?

How can you be generous with your kids without spoiling them?

You can help your kids learn the money management skills that will make them smart consumers and financially responsible and successful adults, if you start early and follow a system of teaching and practical experience.

Watch for more information and answers to these questions in future web updates, and our newsletter!

*Information compiled from: Dollars and Sense for Kids.