

## Sowing The Seeds Of Financial Wisdom

Teaching your child about finances can begin at any age, and the earlier, the better!

by Lisa Grant

“Little Johnny is too young to learn about money.”

That’s a common misconception among parents, and one that could cost your child—literally. We don’t wait until our children get their first job to teach them to read, and we shouldn’t wait until Johnny enters the working world to teach sound financial principles.

Beginning financial training in early childhood and continuing throughout the teen years can help prevent your child from making money mistakes that could take years to overcome. Start teaching your children about money as soon as they start asking for it. With potential gifts of money just around the bend, the holidays present parents with an opportunity to begin teaching life-long lessons.

**The following age brackets below are guidelines and can be adjusted for your child.**

### Birth to 3

- Open a savings account in the child’s name and deposit any gift money the child receives. Carol Neill of Altra Federal Credit Union in La Crosse suggests parents encourage gift givers to deposit into children’s accounts in place of showering them with an overabundance of toys.

### Ages 4–6

- Teach your children about the different denominations of money. Use books such as “The Coin Counting Book” by Rozanne Lanczak Williams and “The Big Buck Adventure” by Shelley Gill and Deborah Tobola.
- Take your children with you when you go to the bank. Whether taking money out of an ATM or cashing a check, explain what you are doing.
- Talk with your children while shopping. Communicate your thoughts about prices and allow your children to help you count out the money when you pay for an item.

### Ages 7–9

- Start an allowance.
- Set up three piggy banks: one for spending, one for saving, and one for

giving. Show your child how to divide allowance or earned money between the three banks. Divide the money equally or however you choose.

- Allow your child to use money from the spending bank to purchase things they want (at your discretion) such as small toys, gum, or other items. However, children should be instructed that once the money is gone from the spending bank, they’re not permitted to take money from the savings or giving banks to buy items they want.
- Set a short-term purchase goal for the savings bank, something that can be reached in a few weeks, such as a trip to an amusement park or a more expensive toy.
- The money in the giving bank is for charitable purposes, such as church, a homeless shelter, or a children’s fund. This teaches kids there’s joy in something other than buying things for themselves.

### Ages 10–12

- Add a fourth bank for long-term savings, items that take three to six months or longer. A suggested change in percentages is 40 percent spending, 25 percent short-term, 25 percent long-term, and 10 percent giving.
- Supplement allowance with work around the house, for which they are paid.

Finally, set a good example with your own finances. Develop a household budget and include your children in discussions about the financial resources needed for various items.

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