

Teach your children how “Money” works

By Tim C. Lee

The subject of money is not taught in school or in most homes. When teenagers graduate from high school and arrive to college, they are introduced to American Express, Discover, MasterCard, Visa, and a lot of student loans. These young adults are forced to make these huge money decisions with no guidance and a lack of financial literacy.

So who job is it to teach our children how money works? Some would say schools, but schools focus only on teaching academics and professional skills to be used in the work place. Parents are their children’s first and most important teacher. So it is our duty as parents to teach our children how money works.

As parents, we have to be careful; we are teaching money lessons to our children everyday unconsciously.

When we are living paycheck to paycheck, but use credit cards or the last money we have, to buy things we really do not need...our kids are watching. The message to the child is to never delay gratification and get whatever you “want” regardless of your financial situation.

When unexpected emergencies occur (car repair, illness, job loss, etc.) that we were not prepared for financially, therefore; forcing us to use credit cards or borrow money from loan companies, pawn shops, payday lenders, or title companies to take care of it...our kids are watching. The message to the child is to never have money set aside for the unpredictable; which is not being realistic. Even Grandma had a “Rainy Day Fund.”

Children need to be taught at a very young age by their parents how money works.

One technique that I recommend parents use is to create a Weekly Chore List. You will list every chore that needs to be done around the house with an amount to be earned next to it. Have seven columns (one for each day of the week) for your children to initial each day once they have completed the task.



At the end of the week, the children are to calculate their total earnings and present the sheet to the parents for review and payment. Just make sure the amount assigned for each chore is age appropriate per child. It is also a good idea to have a maximum amount that can be earned per week to prevent you going broke teaching this lesson.

Now that your children are earning money, you need to teach them money management skills. This should be explained to them using four categories: Save, Spend, Invest, and Give.

If you notice, the first category is Save. You want to teach your children that the first thing they should do when they acquire money or get paid is to, “pay themselves first.” Also, open up a savings account for your children and teach them how to make deposits and register each transaction in the ledger to keep up with their current balance. Once you believe they are mature enough, get them a checking account with a debit

card. Again, teach them how to balance their ledger after each transaction.

The next category is Spend. This is an opportunity to teach your children how to budget. They should be taught to allocate their money using a written budget. In regards to things that they want and can not afford it, they should be taught to delay gratification. Borrowing money or receiving advances from you should not be an option. Doing so, is introducing your children to “credit” indirectly and poor money management” skills.

The third category is Invest. You want to teach your children how to earn a rate of return on their money by investing it. Either in a small business (candy sells, car

washing, lemonade stand, lawn service, etc.), or in the stock market, teach them early how to invest their money.

The last category is Give. Whether it is to a place of worship, nonprofit organization, or a needy individual or family, your children should be taught the art of philanthropy.

This Weekly Chore List method will not only teach your children about money, but will also teach them perseverance, responsibility, and good work ethic.

If done consistently and correctly, the categories of Save, Spend, Invest, and Give, will be remembered and used by your children as young adults and years beyond.

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