

YOUR MONEY

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Educating Kids About Money

Q. When I was younger, I was never taught much about finances. I've always regretted not getting more actively involved in my finances earlier on in life. Now that I have two small children, I'd like to start educating them as soon as possible. Do you have any suggestions?

A. Remember the old adage, "Do as I say, not as I do"? It is good advice but, as most parents have learned, kids don't necessarily follow it. Children are impressionable and, because they watch your every move, they're more likely to do as you do. Therefore the first step in teaching your children about finances is to set a good example. They should witness you and your partner talking about and analyzing expenditures rather than always just 'slapping down the plastic'.

It's important to start children as young as possible. The earlier you instill smart money habits, the more likely they are to stick. Once they are routine, they will become life-long habits and your children will always benefit from your lessons.

An allowance is an excellent learning tool if you establish an incentive-based plan for the children to earn it. If you simply hand out money, it has no value. Instead, tie in some household chores, and have the children earn 'bonuses' when they succeed with such things as scholastic or sports goals. This not only assigns value to the money but also includes an important lesson about agreeing on goals and achieving them.

Goals work wonders. I remember when I was a little girl and my sister and I were having problems with

particular subjects in school. When we were about a month away from a holiday trip my Dad put three glasses on the mantel. Two contained 25 loonies each – one for my sister and one for me. The middle glass was empty.

My Dad said he would ask each of us a question daily on our problem subjects. If we answered incorrectly a loonie would go from our glass into the middle glass. At the end of 25 days, whoever had the most loonies left in their glass would get all the loonies from the middle glass. Needless to say, our study habits improved dramatically.

Establish savings accounts for your children so they are actively involved in their 'accumulation of wealth' and can see it grow. Consider a system where their savings are matched by you to some degree as a reward for saving. They will learn about the importance of saving and the beauty of compounding. Remember: Those who don't understand compound interest are doomed to pay it, while those who understand compound interest are destined to collect it.

Finally, you must teach your children about the merits of a proper budget. They need to learn how to handle their spending money in a responsible manner. Teach them how to think about and prioritize their spending. And don't forget to discuss debt and the perils of trying to keep up with the Joneses.

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