

Raising Savvy Money Managers

12 Ways to Teach Your Kids About Hard Work and Managing Money



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Introduction

Before becoming a [Parent Coach](#), I spent over 10 years teaching kids of all ages. As a math teacher for 5 years, I was always struck at the fact that our school system neglects to teach kids about managing money. When they are young, we teach them how to make change for a dollar bill. Middle school students are taught the concepts of percentages and unit price but, generally speaking, there is no overall plan for teaching kids how to earn, save and spend wisely. Kids are not taught about borrowing money, getting mortgages, having credit, or budgeting their own money. As a result, young adulthood is very much a rude awakening for most kids. During their first year out on their own, or in college, they are left to their own devices when it comes to setting up utility bills, budgeting their income/stipend and saving (or not) for a rainy day.

I set out to write this book as a tool for parents to combat this phenomenon. Teaching kids about money management is really not all that difficult. We, as adults, do this on a regular basis and, by modeling or sharing our experiences, we can easily begin to teach our kids to consider their own finances.

With this in mind, you will find in this e-book, a number of ways in which you can begin to encourage your child to start thinking like a thoughtful money manager. You will note that there are age levels listed under each activity. These are meant as guidelines and you, as parents, will need to assess whether your child is capable of the activity at any given age. By teaching them these skills now, when they are young, you will be preparing them to make sound financial decisions as young adults and throughout their lives.

Paying the Bills

(ages 10+, or as soon as your child gets a phone)

It seems more and more kids have cell phones these days. Consider how, when you were their age, monthly bills seemed to be a very distant reality.

Use your child's cell-phone as an opportunity to introduce them to the responsibility of having to pay for what you use. When your monthly phone bill comes, sit down with your child and calculate how many minutes they used that month. Calculate the amount per minute and "charge" them for that amount. You can take that amount from their allowance, or allow them to work it off by doing chores. Make sure to deduct any minutes that were used calling parents. You don't want to discourage that.

By requiring them to pay their own way, you will begin to [see them become more thoughtful in their choices](#). You are also likely to encourage them to minimize the time they spend on the cell phone.

\$2 Budget

(ages 6-10)

Young children can be a handful at the grocery store. Once children have been introduced to the concept of money, allow them \$2 (or any amount you think appropriate) during your next trip to the store. They can choose one item at that price, or they can choose a number of small items, as long as the total is under \$2.

This activity serves a number of purposes. First, it will keep your kids occupied and focused when you are trying to get the shopping done. More importantly, though, it will [teach them to make wise decisions](#). If they end up regretting the choice they've made, they will be able to make a better one during the next trip to the store. Alternatively, they might choose to save the money and make a larger purchase next week. Showing them that you trust them to make their own decisions will also build confidence and self-reliance.

Remember not to offer advice, criticism, opinions, and guidance. Kids learn to make good decisions by making decisions. Give them the space to do so.

Mom & Dad's Money

(ages 7+)

Typically, parents don't discuss their own financial decisions with their kids. In many cases, this is appropriate, however, by avoiding this topic parents overlook a wonderful opportunity to get kids thinking about spending money wisely.

Next time you are considering a large purchase (new television, family vacation, etc.), include your kids in the discussion. While the ultimate decision is, of course, yours, encourage them to consider what spending such an amount of money would mean to your family. What else could be done with that same amount? A year's worth of karate classes? A family pet? A regular date night out for Mom and Dad?

[Help your kids](#) begin to get a sense of what things cost, by discussing alternative options. Help your kids get in the habit of considering these options before making any rash decisions. Getting in the habit of considering decisions carefully will serve as an important lesson, not only for their financial future, but also for their decision-making in general.

Making Change in the World

(ages 8+)

Start an ongoing shopping game with your kids. When you are at the check out register, make sure your kid is in earshot when the cashier tells you the total. Hand your cash to your kid so that he has to hand the money to the cashier. Make sure to pay in full bills; \$10, \$20, etc. (Don't use coins.) Knowing the total cost, and now the amount being paid, your kid will have all the information necessary to calculate the amount of change due. If he can correctly calculate the amount due before the cashier returns the change, then he gets to keep the change. If not, the change goes back in your pocket.

At first, this might be [frustrating](#) for him, but calculating numbers quickly is not just a math game. This game sharpens thinking skills and will help prepare him to become a wise money manager as an adult.

Calculating a Tip

(ages 10+)

Calculating a tip is a basic skill that every adult should have. Create a practice of handing restaurant bills to your child so that she can calculate the tip. (To do this quickly in your head, drop the last digit of the total- for example, change \$35.00 to \$3.50- and then multiply by two- $\$3.50 \times 2 = \7.00)

The steps described here will result in a 20% tip. Discuss with your child whether that seems appropriate, given the service received. Remember to discuss with her that standard tipping practice is typically 15%. We give larger tips when we feel we have received particularly good service. Does she recommend increasing the amount, decreasing it or giving a 20% tip? Teaching them this skill at a young age will ensure that they can do this later in life. It also serves as a good opportunity to sharpen the math skills out of the classroom.

Allowance

(ages 7+)

Giving kids an allowance is an important tool in teaching them about money management. It is important that the amount is reasonable and [age appropriate](#). It is also a good idea to err on the conservative side giving them an amount that is slightly less than they would ideally like. Doing so will teach them to value the dollars that they do get and to make wise choices in spending their money. Make sure not to cave in when, halfway through the week, they ask for additional monies. The decision to spend is theirs, as are the consequences of not saving.

You can certainly encourage your kids to take on small jobs, either around the house or for friends and neighbors, in order to earn a bit more money. Having to work for your money is really the best way to truly learn the value of a dollar.

Daddy Warbucks

(ages 0+)

When parents are financially successful, the natural tendency is to want to share the fruits of that success with their kids. As a result, there are countless kids in designer clothes, carrying around all the latest gadgets and frequenting only the best restaurants and shops.

If you should happen to be particularly well off, consider for a moment, how you were able to get to that point. Most likely it is a result of hard work, determination and drive. Consider, also, the lifestyle that elicited that work ethic and motivation in you.

With that in mind, next time you are considering spending money on your kids, ask yourself the following four questions:

- Does my kid need this item?
- Am I buying this item because my kid truly wants/needs it, or because I do?
- What will purchasing this item for my kid teach him?
- Has my child earned this item? What can he do to earn it?

While having nice things is... nice, the ability to earn and value those nice things is a far more worthwhile goal. Remember that [kids are always learning from your actions](#), whether you intend it or not.

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