

State Department Federal Credit Union Topics of Interest

Raising Money-Smart Kids

Every year, American children receive over \$15 billion in allowance, gifts and wages — reason enough to start teaching children money management and consumer skills at a young age.

The best way to teach good financial habits is by example. For instance, when you go shopping, include your kids in the process — planning, budgeting, and comparing prices and quality. If they urge you to buy something that is over budget, explain that spending more on the item you're purchasing today is not as important as saving up for something else you need or want in the future.

Kids who learn to prioritize their spending learn a valuable lesson about living within their means. Reinforce that lesson by not jumping for the credit cards or giving extra money just because your children ask. When kids want an expensive “status” item, like hundred-dollar athletic shoes, make them pay the portion of the price that exceeds what you think is reasonable. They'll appreciate the item more and may think twice about paying that much when they outgrow this pair in six months. If you choose, go ahead and lend money, but treat it like a bank loan — charge reasonable interest and set a time frame for repayment.

For your sake and theirs, encourage your children to make saving a fixed category in their spending plan. Discuss goals and calculate how much should be put away each month. Break down savings into long-term, for college or a car, and short-term, for a new bike or a senior trip to Europe. If you see your children about to make a mistake in spending their allowance, let them. Better to learn on a small scale now, than lose money with big mistakes later.

It's never too early (or too late) to develop good financial habits. The rewards of wise money management are the same for adults and children alike — a greater appreciation of what they have, a sense of empowerment to achieve their goals, and long-term financial security.

As a credit union member, you have access to BALANCE, a financial fitness program dedicated to helping you achieve your goals. For more information, call them toll free at 888-456-2227 or visit <http://www.balancepro.net/sdfcu>.