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“A Penny Saved is a Penny Earned”

Help your child to develop good saving habits for future financial stability

By Kimberly Blaker

A 2000 review by Nellie Mae, a federal student loan program, found that 78% of its undergraduate applicants, between the ages of 18 and 25, have at least one credit card. The average balance these students carried was \$2,748.

As Nellie Mae points out, credit card usage isn't going to go away. Therefore, educating kids on how to use credit cards responsibly is necessary to their future financial well-being.

Fortunately, those who learn and develop good saving habits early in life are more prepared to deal with what lies ahead, growing into financially responsible adults.

The younger set

Begin teaching your child the concept of money, including the values of coins, from the ages of 4 to 6. During this time keep it simple, and allow your child to earn money for small chores he can save in a piggy bank.

It's all elementary

By the time your child is 7, an allowance is essential to learning about money and developing good habits. Familiarize your child with banking, and open a savings account so she can watch her money grow. Help to set achievable goals, such as saving for a new toy or putting away for holiday gifts.

Many banks charge service fees unless a minimum balance is kept, and frequent trips to the bank may be impossible. As an alternative, set up your own Family Bank. Give your child a spare checkbook ledger or savings passbook, and copy blank savings deposit and withdrawal slips from your bank for your child to use. Require him to fill out the slips and log transactions in the ledger. Then give your child monthly interest for his savings.

The teen scene

Designer clothing, entertainment, and car expenses are the biggest areas for teen spending. Some also put away for college. But researchers point out that few teens are prepared for the adult world, says developmental psychologist Nancy J. Cobb in *Adolescence: Continuity, Change, and Diversity*. This is because the responsibility of covering food, housing, and health care costs is not something most teens are primed for.

However, in 1993, Youth Indicators did find that 24% of black teens, in comparison to less than 7% of white adolescents, contribute a portion of their income to assist with family living costs. Despite the possible unfortunate reasons that some teens may contribute to their family expenses, these adolescents *are* learning a valuable lesson.

Nonetheless, teens' working hours should be limited to no more than 10 per week. According to Cobb, investigators have found that adolescents who work, especially 20 or

more hours per week, are not as engaged in school as their nonworking peers. Based on the findings of various studies, this can shortchange students in the long-term.

Still, there are many ways teens can learn the value of money and develop good habits. In fact, limiting a teen’s funds may force her to be more selective and make wiser financial decisions. Be sure to give your adolescent an increased allowance and a clothing allowance, and help him to budget his money.

Tips your kids can bank on

Help your child develop good saving and spending habits with the following.

- Allow your child to make some of her own spending decisions. Place reasonable limits, and offer appropriate guidance while giving opportunities to learn from her mistakes.
- Don’t loan your child money every time he wants it. But do offer occasional opportunities for him to experience both the costs of borrowing (interest) and repaying the loan. When deciding whether to loan money to your child and how much, consider the purpose of the loan, past repayment, and his ability to repay within a reasonable time. Charge interest on loans so children learn the cost of borrowing. Remember that regardless of how financially savvy we raise our kids, borrowing does have its place, at the very least, for acquiring a home and reliable transportation, both of which can be wise investments even when borrowing is necessary.
- Teach your child how to set financial goals. By the teen years, these may include saving for automobile expenses, college, and other long-range plans. And don’t

overlook the importance of short-term goals, which offer your youngster a feeling of accomplishment and a boost in self-esteem.

- Require your child to put at least 10% of each paycheck, or allowance, into savings. If accustomed to this practice, it will be much easier to adhere to as an adult.
- Don't be completely secretive about family finances. Children have few opportunities to see and experience the financial side of the adult world. This doesn't mean you need, or even should, disclose everything. But it's easier for kids to understand if they can see it concrete terms. Develop a detailed household budget, and explain it so your adolescent can see how your family spends and why.
- Discuss the different ways in which you save and invest your money and explain how these different plans work. Point out both the benefits and the risks.
- Send your kids to www.cyberinvest.com/linksoup/linksoup.kids.html where they'll learn about money, goal setting, saving, investing, and even stocks.
- Purchase a computer program such as Family Bank by ParentWare to help your child track his allowance, expenses, loans, and more. This program, which retails for \$49.95, calculates interest for both savings and loans, allows children to write checks to their parents, creates graphs of their spending habits, and more. Visit <http://www.parentware.org/>

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Kimberly Blaker of Michigan is an author and syndicated writer. Her parenting and women's articles have appeared in more than magazines and publications.

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