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Extension Bulletin 461 — 1981

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Money in Our Children's Hands

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Agricultural Extension Service
University of Minnesota

Extension Bulletin 461-A — 1981

Background

Money in Our Children's Hands

Children learn about and use money continuously. How children use money will influence how they live, how they feel about life, and their economic stability and security throughout life.

Children are not born with "money sense," but they learn about money by what they see, hear, and experience. Parents can help children learn about and develop money management skills by planning and providing children with positive learning experiences.

How Children Develop Their Understanding of Money

Whether parents realize it or not, children's attitudes and values about money are influenced by how parents spend, borrow, save, share, invest, and protect themselves with insurance.

Young children may view all money as having the same value. But they quickly learn that money buys things when they are allowed to pay the salesclerk for something they want.

Preteens realize that money can be exchanged for something they want. The experience of buying and paying for things helps them learn the value of money, how to make change, and to be responsible for the safe handling of money. Children of this age learn the meaning of money and reasons for spending, saving, and sharing money.

Teenagers want to decide how to spend their money and are usually eager to earn money. Teenagers who have had positive experiences in using money should be able to make long-range plans for spending, saving, sharing, and borrowing. They also understand the need for protection by using insurance. With guidance, teens can manage checking and savings accounts, use credit and keep records. Participation in family financial decisions can help them learn about family financial goals and responsibilities.

Guides for Parents

It is important that parents know how to help children understand and master money management skills. It is equally important that parents provide positive learning experiences as the child grows. Parents who want to help children learn about money should consult books, magazines, and other publications for information. Knowing what experts and others recommend will increase their knowledge and confidence.

Parents should have the ability to:

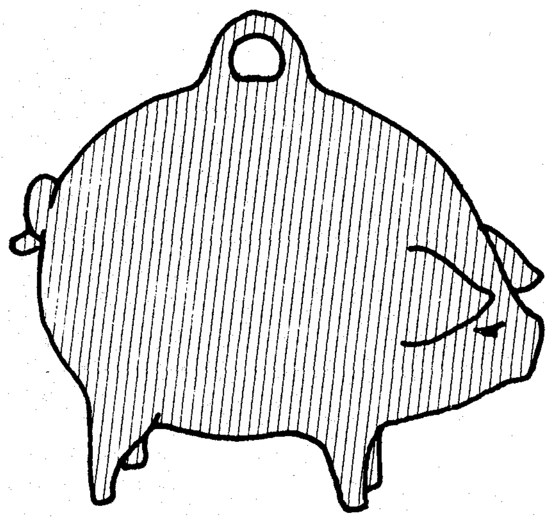
- Guide and supervise rather than direct and dictate
- Praise rather than criticize
- Not use money as a reward or punishment nor to pay for regular family chores
- Let children learn by mistakes as well as successes
- Be consistent
- Conduct a family money management council — get members to agree on and work towards short- and long-range financial goals
- Manage family income and keep financial records

Since children learn by doing, it is important that parents provide guidance that develops knowledge and skills in money management.

PRESCHOOLERS:

Parents guide preschoolers by letting them:

- Choose between two or three items
- Shop with a parent and pay for one item
- Learn that family members work to pay for food, clothes, etc.
- Share money with a friend or contribute to church or other organizations
- Do routine family chores without pay

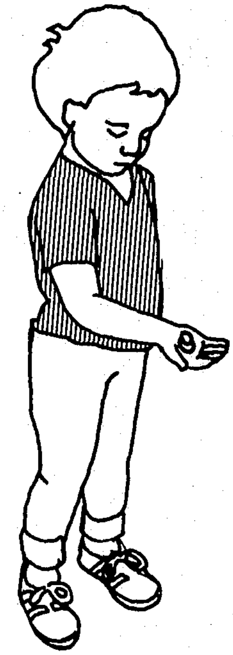


PRETEENS:

Parents guide preteens by:

- Providing an allowance to meet actual needs, plus a little extra for personal use, to share, and to save
- Involving them in decisions regarding their allowances
- Allowing them to borrow small sums against their allowances and by charging a small interest on the sums borrowed
- Supervising as little as possible

A family money management council at regular intervals allows children in this age group to better understand how family income is used. Asking children to help write checks and address envelopes for monthly bills provides additional understanding.



TEENS:

Parents can encourage teenagers to:

- Earn and save for long-range goals important to them
- Better understand relationships between the proportion of family income that is used for spending, borrowing, saving, protecting through insurance, investing, and sharing
- Determine percentages of income allocated in these areas
- Learn about the purposes, services and charges of banks, credit unions, loan companies, etc.

Positive learning experiences increase children's money management knowledge and skills.

Allowance

Allowances and earnings are effective tools which can be used in positive ways.

Having an allowance, and living within it, is one of the best experiences children can have. Start as soon as they are capable. This may be as early as three or four. By the time children are six or seven they need an allowance to cover their needs, plus some for personal use, saving, and sharing. When children help decide their allowances by listing needs and ranking them in importance they are learning that income first covers needs, that money is limited, and that the family's financial situation affects the amount each member can use. After guidelines for using allowances are set, children want to decide how they will spend.

Earning gives children a sense of freedom and recognition and leads to financial independence. Parents can help children establish excellence in work standards before they work away from home and help them find work suitable for their age and skills. (Stop a child's earning if it interferes with school or other things important to the child and family.)

Children grow in their ability to spend, save, share, and borrow as they use money for each of these purposes. Children can learn about keeping money records, using savings and checking accounts, borrowing, and using credit as they develop their money management skills.

Set limits on what children have to spend and make adjustments as they grow older; their needs change as they earn.

Preteens and teens may ask to borrow against their allowances. Borrowing should be addressed in a businesslike manner so that children deduct such advances from future allowances and pay interest on the amounts borrowed.

Family Financial Management

Parents can help children understand money matters by letting them take part in regular discussions about using family income.

A family money management council can help children realize.

- The difference in needs and wants
- That resources, including money, are limited
- That planning helps the family use money more effectively *and*
- That family members should agree on how income will be used, set financial goals and plan how to reach them, and work together as a team

Children should understand that all members contribute to the economic well being of the family by:

- Working in and out of the home *and*
- Effectively using money for needs and wants

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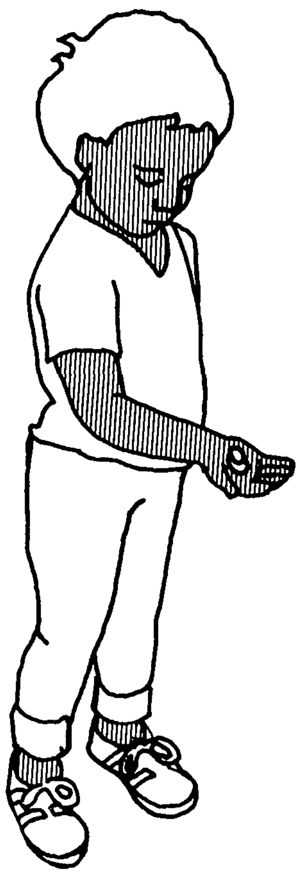
Leader's Background Information

Money in Our Children's Hands

In our society money is earned and exchanged for the majority of goods and services we need and want. Money decisions make a difference in our lifestyles.

Most young people today will earn three-fourths to $1 million in their lifetime. To a large degree, their happiness and success depend on their ability to manage these earnings. Parents have an opportunity and obligation to help their children gain knowledge and skills in money management.

Children first learn about money from their family, They are then influenced by others (peers, teachers, etc.), by the media, and by their experiences. Early influences have a lasting impact.



How Children Develop Their Understanding of Money

Children are not born with "money sense." Money management must be learned. Whether parents realize it or not, children's attitudes and values about money are highly influenced by what they see and hear at home. Children's attitudes and values about money are affected by how parents spend, borrow, save, share, and invest money and protect themselves with insurance. In addition, children learn by the experiences parents provide for the child to use money.

PRESCHOOLERS:

Preschool children will observe parents using money when shopping. From their view, money buys things and gets things. They may view all money as having the same value. They may think that coins have more value than paper money. Preschoolers don't like to share money.

Young children learn by direct human contact between the child and the seller. The physical exchange of coins for something they enjoy eating is an effective way to learn that money buys things. Or let them do simple choice-making. Look together at two or three small items and let the children make the final choice. Let children give the salesclerk the money.

Saving means nothing to young children. Provide experiences to teach the meaning of saving for something in the near future rather than spending in the present (e.g., saving for an ice cream cone tomorrow).

PRETEENS:

Preteens realize that money itself has no value, except as a tool to exchange for something they want. They are "collectors" of things at this age level and will use money to buy things they want. Feelings of insecurity may cause them to hoard money.

The experience of buying and paying for things will help children learn the value of money, how to make change and be responsible for the safe handling of money.

Preteens are able to save for bigger goals in the near future. They want to save for a specific purpose (usually one thing at a time).

Preteens can learn the "principle of scarcity" — that there is a limit to money resources. Preteens can learn the meanings of and reasons for spending, saving, and sharing money through activities in which they use money for these purposes (spending for day-to-day needs and wants, sharing for church, or gifts).

Older preteens can understand family spending, saving, and sharing and reasons for using credit.

TEENS:

Teenagers want to decide how to spend their money. Teenagers want to be like and spend like their peers. Young people are under so much pressure to spend that most are eager to earn.

The following practices will help teenagers learn about money and its uses:

- Long-range planning
- Recordkeeping
- Wise use of credit
- Participation in family financial decisions

Guides for Parents

It is important that parents know how to help children learn about and use money. Parents can provide learning experiences to help children understand and master money management skills.

Parents should recognize that their own money management practices represent many years of experience, starting in childhood. Parents wanting to help their children learn about money should consult books, magazine articles, and other publications on the subject. Suggestions from recognized experts can provide motivation, confidence, and security that parents sometimes need.

Some of the skills parents need when helping children of all ages learn about money include the ability to:

- Guide and supervise rather than direct and dictate.
- Praise rather than criticize or rebuke.
- Allow children to learn by mistakes as well as successes.
- Figure or calculate percentages of family income spent for needs, wants, debt repayment, etc.
- Make spending plans and keep family accounts.
- Conduct a family money management council — communicate, get members to agree on and work toward short- and long-range financial goals.
- Be consistent.
- Be objective about the purpose of money — do not use it for rewards or punishment.

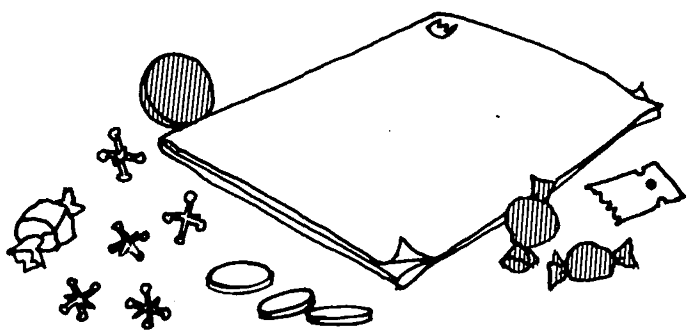
Children learn by doing, and it is important that parents provide activities that develop knowledge and skills in money management.

FOR THE PRESCHOOLER

- Provide money exchanging experiences by giving children coins and letting them choose between several items.
- Let children pay for one item at the grocers, put the money in a parking meter, etc.
- Help children understand that family members go to work so they can pay for family needs — the home, food, clothes, etc.
- Don't pay children for doing small chores or routine household tasks.
- Occasionally, encourage children to spend for something they can share with family members or friends.
- When children can count to 10, introduce them to coins — values and grouping.
- When spending, allow children freedom of choice, but do not give more money if children are disappointed with their choice.

FOR THE PRETEEN

- Provide an allowance to meet actual needs and a few personal desires, some to share, and some to save for future satisfactions.
- Involve children in determining allowance needed, guides for its use, a simple account system, and a periodic review.
- Have children use a budget plan including income, expenses (inflexible, flexible), savings.
- Supervise children's spending as little as possible.
- Do not replace "lost" money that was intended for personal spending.
- Involve children in helping with family finance (make out monthly checks, address envelopes, mail packages, do some family shopping, gather information prior to a major family purchase).
- Provide opportunities for children to earn money. Keep earnings separated from allowance.
- Do not make financial rewards for behavior, scholarship, regular family chores.
- Let children open savings accounts.
- If children must borrow from parents, charge interest. Parents may borrow from children and pay interest.
- Involve children in a "family money management council" at regular intervals. Decide together how income will be used.



FOR THE TEENAGER

- Provide opportunities for children to learn the purposes of credit, how and when to use credit, kinds, costs, ways to compare costs, contracts, and debt limits.
- Encourage earning and saving for long-range goals — vacations, Christmas gifts, major purchases, and travel.
- Provide understanding of relationships between spending, borrowing, saving, protecting through insurance, investing, and sharing.
- Provide learning experiences so that children can learn about the services of various financial institutions — banks, credit unions, loan companies, credit bureaus, savings and loan associations, etc.

Children learn to manage money through spending, saving, borrowing and sharing. Parents should provide positive learning opportunities from the time a child is first interested in money.

Allowances and earnings are tools that help children develop their money management skills.

ALLOWANCES

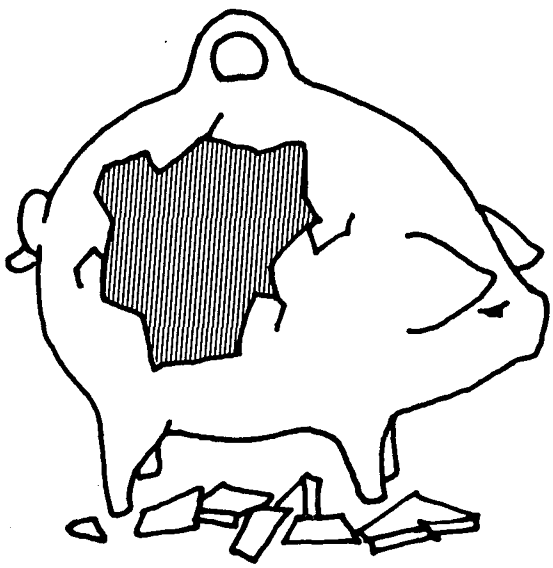
- Having an allowance and living within it is one of the best experiences children can have in learning money management.
- A simple allowance may start as early as three or four.
- By the time children are six or seven they need an allowance that covers their needs and allows some modest amount that can be used freely.
- Allowances should be given at regular intervals keyed to children's ages and abilities. (Small children — twice a week; older children — once a month.) Children should know how much they will receive, how often they will receive it, what it is to cover.
- The amount given depends upon children's age, needs, and their family's financial situation.
- Teach children that money goes further with planned spending.
- Children should decide how their money is to be spent. (Although parents may offer advice, children need to make choices and accept responsibility for their decisions.)

EARNINGS

- Earnings may start as soon as children can handle paper routes, do babysitting, etc.
- As children earn more, it becomes appropriate for them to begin budgeting and saving for future needs.
- As children's earnings increase, their allowances can be adjusted or discontinued depending on their needs.
- Earning gives children a sense of freedom and recognition and leads to financial independence.
- Parents can help children establish excellence in work standards before they leave the home. Show them important parts of the job and see that they master them.

SPENDING

- Help children set limits on what they should spend. Arrive at this by having children list their "needs" as they see them and then classify them into most important and least important.
- Encourage teens to open a checking account.
- Help preteens and teenagers develop simple records or accounts of their spending.
- Involve children in learning buying skills such as comparing prices and quality, sale advantages, and disadvantages.
- Help teenagers understand and use credit for some purchases for themselves and for the family.
- Help children learn how to decide and accept responsibility for their decisions when spending money. (Help them to seek alternatives — judge one against the other and choose.)
- Help children investigate jobs they are capable of doing to earn money.
- Don't hesitate to prohibit children's employment if they are neglecting school or other things of importance.



SAVING

- Young children (three or four) may not understand saving. (Next week is too far in the future but they may save for something they want tomorrow.)
- Saving is only positive when children feel it is important to them.
- Children need to save, get what they saved for and enjoy it. This reinforces their understanding of saving.
- Nine and 10-year-olds may be very interested in saving for something they want.
- Encourage teenagers to save first, not last, and to save regularly.
- Help preteens and teens arrange savings accounts.

SHARING

- Help children learn that sharing money can provide happiness and satisfaction for the giver as well as the receiver.
- Help children learn sharing by example through gifts to people. If gifts or money are shared with church or community organizations, children should learn how this helps people.
- Parents may have to point out opportunities for children to share.

BORROWING

- Young children will not understand the concept of borrowing money. However, they can be taught to borrow a book or toy from another child and to return it promptly.
- Preteens may ask to borrow against their allowances. This provides an opportunity for parents to teach children that it costs extra money to borrow, and that the amount borrowed (plus interest) must be paid from their future allowances. Some experts suggest letting children borrow small amounts against their allowances, but not large sums. (Parents may also borrow to reinforce this learning experience.)
- Teenagers may experience emergencies and situations when allowances may not cover the cost of their needs. If money is borrowed from the family, plans for payment should be on a business-like basis. Borrowing experiences are positive when teenagers recognize that borrowing is often necessary for expensive items; that the cost of borrowing differs between lenders; that borrowing commits future income, etc.

Family Financial Management

Parents can help children develop positive attitudes about money and provide greater understanding of money matters by letting them take part in regular discussions about using family income.

A family money management council is an excellent way to help children understand the financial facts of living:

- Family income first covers needs, then wants.
- Resources (including money) are limited.
- Planning helps the family use money more effectively.
- Money management requires communications, agreement on financial goals and plans for reaching them, discipline, and teamwork.

Children should understand that all family members contribute to the family's economic well being. One or more members may earn the money. All are involved in using it for needs and wants. Skill in making choices and in maintaining and using the things the family buys helps the family enjoy a better way of life. The work each family member does in and around the home conserves family income to be used for other things.

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Extension Bulletin 461-C — 1981

Leader's Outline

Money in Our Children's Hands

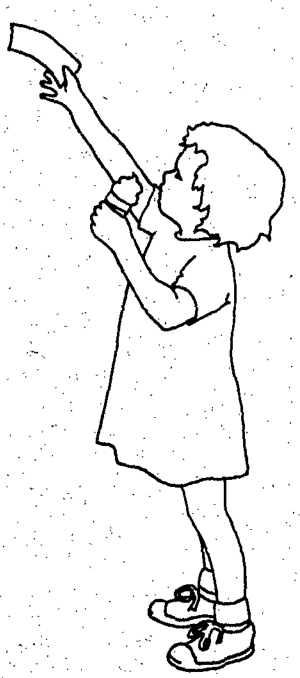
I. Introduction

THE OBJECTIVES OF THIS LESSON ARE FOR ADULTS TO:

1. Learn how children develop an understanding of money
2. Learn guidelines for helping children learn about and use money
3. Provide positive learning experiences for children's uses of money
4. Teach other parents how to help their children learn about and manage money

II. Before the Meeting

1. Study materials in the Leader's Kit and plan how and when to teach it to other adults.
2. Get copies of the quiz and the handout for those attending the program.
3. Cut pictures or articles from magazines that might be useful in teaching.
4. Make any charts or posters that might be useful in teaching.
5. Check with the local library for books, etc., on this topic.



III. At the Meeting

1. Give the quiz to everyone at the beginning. Ask them to hold their replies until the close of the meeting.
2. Explain the purposes of this lesson.
3. Present the lesson in three parts, emphasizing the important points to be learned.
4. Provide time for discussion. Select several discussion questions from VI and allow members to contribute others.
5. Give answers to the quiz and let participants keep their own records.
6. Do the Activity under V.
7. Distribute the handout for the program participants.

IV. Important Points to be Learned

1. Children view money differently as they mature.
2. Children's attitudes and abilities to manage money are related to parents' guidance.
3. Parents should develop skills to help children learn about money.
4. Children need positive learning experiences in managing money.
5. Children should participate in family financial management.

V. Activity

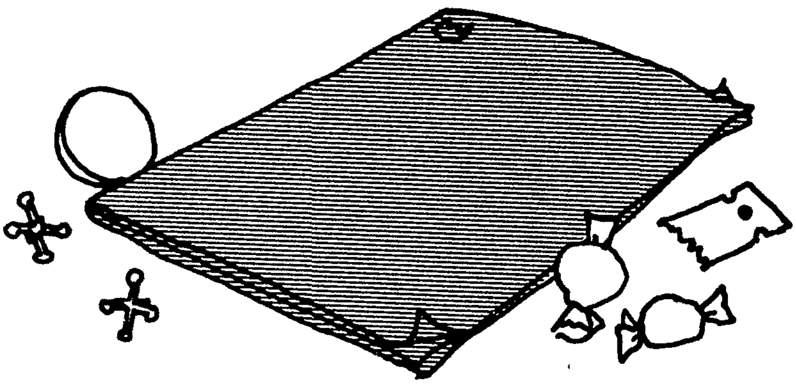
Decide what your group can do to help other parents in your community better understand and help their children learn about money. Then plan how you will reach and teach each of the following:

- parents of preschool children
- parents of grade school children
- parents of teenagers.

Follow through with your plan and report your results to your Extension Home Economist.

Examples:

- work with Extension Home Economists to develop newsletters for young parents
- present a program at PTA, at day care centers, at churches, etc.
- make the publication for program participants available to other parents
- do workshops and demonstrations to show parents how to help children make containers to hold money for spending, saving, and sharing, how to keep records, how to decide what is needed in an allowance, etc.



VI. Discussion Questions

1. Should children have allowances? If so, when and how much?
2. What are children's financial needs when they are preschoolers, preteens, and teenagers?
3. What are some of the ways you have found to help children earn money as preschoolers, preteens, and teenagers?
4. Why should preteens and teenagers be involved in setting family financial goals?
5. How have you changed these behaviors in children:
   - hoarding money
   - spending money too fast
   - not saving
   - borrowing from friends or family
   - losing money
6. How have you successfully taught
   - the principle of scarcity or that all resources are limited?

VII. Other Available Resources

1. Check out books from the library on helping children manage money. Exhibit these at the meeting.
2. Check with department stores and banks about their policies regarding children's use of checking and savings accounts, use of credit cards, etc.
3. Review magazines for current articles that might be helpful.
4. Check with your Extension Home Economist about state and county publications that may be available to help with this lesson and with the Activity.

VIII. Summary

- Children learn about money by the examples parents set and the experiences they provide in money management.
- Parents should provide learning experiences to help children learn about and develop skills through successes and mistakes in using money.
- Allowances, simple records, and the family council are tools to help children learn how to spend, save, share, and borrow money.
- Both parents and children should exhibit positive attitudes about money.
- Caring parents recognize that they should help children learn about money. They can provide guidance in their children's growth and development.
- Children and parents should realize that money is a medium of exchange — a means to an end. The end people seek is economic stability and security, satisfaction, and happiness in using their available resources.
- Money is an important resource.
- Effective use of money provides a better quality and quantity of the things we value in life.

IX. Quiz Answers

1. T; 2. T; 3. F; 4. T; 5. F;
6. F; 7. F; 8. T; 9. T; 10. T.

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Visuals

Money In Our Children's Hands

Developing Understanding

Guides for Parents

- Preschoolers
- Preteens
- Teens

- Allowances
- Earnings

- Spending
- Saving
- Sharing
- Borrowing
- Protecting

Family Financial Management

Economic Stability and Security

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Quiz (Answer True or False)

Money in Our Children's Hands

_______ 1. A child needs an allowance that covers his/her needs and allows some modest amount that he/she freely decides how to spend.

_______ 2. Allowing a preschooler to pay for one item in a store will help him/her learn that money will buy wanted items.

_______ 3. A grade school child does not need an allowance.

_______ 4. Having a child list his/her "needs" or regular expenses as he/she views them can be a guide when planning an allowance.

_______ 5. A wise parent uses the threat of withholding money to control behavior or excellence in school.

_______ 6. Seven or eight is a desirable age to start a child's allowance.

_______ 7. It is not necessary to involve teenagers in deciding the family's economic and social goals.

_______ 8. Every child should be given a chance to earn money.

_______ 9. Giving children money when they ask for it eliminates opportunities to plan ahead and choose between competing ways to spend money.

_______ 10. Children learn to manage money through experiences of spending, sharing, and saving money.

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