



## Raising Financially Responsible Children

*by Peter Fritsch*

Unfortunately, most of our children are financially illiterate. However, there are specific things we can do as parents and grandparents to give our children the skills and attitudes they need to fiscally succeed.

At what age should we begin fiscal training? We teach our children other important habits when they are young, including habits that serve them which they don't understand. For example, we teach them the value of brushing their teeth! The same can be true of financial habits. They may not understand why they can't spend all their money now, or why they need to think about their future today. But they can be taught that it is an expected habit for adult, healthy life.

What financial habits can we teach our children? First, we can teach them that money is earned by working for it. Two other important skills are saving money (paying themselves first) and spending it wisely. To spend money with wisdom includes learning delayed gratification and long-term, systematic savings.

At what age should a child begin to learn that money is earned? Neale Godfrey, author of *Money Doesn't Grow on Trees*, says that age three is an appropriate time to start teaching children to do chores. She divides them into "Citizen of the Household" and "Work for Pay" chores. Both are done to receive a weekly allowance. Chores can be given that are age appropriate. For instance, a young child can be taught to go to bed on time or make the bed as "Citizen of the Household" chores. The same age child could empty small waste cans around the house, stack newspapers for recycling, or fill the pet's water dish as paying chores. Godfrey recommends assigning one chore at a time, then including more as children experience success.

How much should a parent pay for an allowance? If possible, a child should be paid one dollar per week, per year of age. If we consider how much we give our children unconsciously, this amount can be realistic. Creating and sticking to a regular payday is also important. What do we do if our children haven't done their chores? Godfrey suggests we give them one quick chance to catch up on payday, but if the pattern continues another week, we don't pay them. Next week they get another opportunity to earn their allowance.

How do we teach children to manage money? First, we help them set up a simple budget. Godfrey suggests a four, clear plastic jar system: 10% Charity, 30% Spending money, 30% Short- Term Goals savings, 30% Retirement savings. An allowance can be given in coins so young children can learn coin recognition, and eventually, do the math of percentages themselves.

Children can learn to make choices with their money. They can be allowed to pick to whom to give their charity money. It may be the Ronald McDonald House change collector at the drive-through window or a donation jar at the market. When the family goes to the store, children can be reminded to bring their spending money to purchase whatever they wish within boundaries agreed upon beforehand.

Children can learn delayed gratification by creating short-term savings goals. For a three year old, a two-week time frame will feel like one hundred years! So a small toy that costs a dollar may be a realistic short-term savings goal. Understandably, putting 30% in a retirement fund will not be understood by any child. Yet, the habit can be formed, and when they do understand it (in their fifties?) we can trust they may be grateful for our efforts!

Teaching children these skills in their early years can help them want to earn their own money and manage it better when they become teenagers and on into young adulthood.

***Peter Fritsch** and his wife **Brenda** have raised three adult children. Peter teaches a program for teenagers on marketing their earning power at *Ophelia's Place*, and provides for parents the *Neale Godfrey* program called "Raising Financially Responsible Children" at local schools, non-profit organizations and businesses. For more information, call 228 416.*