

## Teaching Kids About Financial Independence



Using every day opportunities to educate children about personal finances.

While some schools offer money and credit management or financial education courses, a significant number of high school students still lack a basic understanding of general financial concepts related to stocks, bonds, savings accounts and checking accounts, according to a survey from the National Jump\$tart Coalition for Personal Financial Literacy. The average score on the 2006 survey, given to high school seniors to measure their knowledge of basic financial concepts, was only 52.4 percent.

Family Foundations suggests parents take the following steps to arm their children with smart financial skills that can place them on the path to financial literacy rather than debt overload.

- **Examine your own attitudes about money.** Like it or not, most children will not necessarily practice what you preach, but instead follow by example. Imagine a child who sees a parent always purchase the latest technology gadget versus a parent who saves for several weeks to purchase a new TV or computer.
- **Communicate openly with children about personal finances.** Words like reconcile, savings, interest, credit debt are commonplace for adults but not for children. Take the time to sit down with young children and teach them what each of these terms mean. For older children, start to talk about the importance of IRA and 401(k) retirement accounts, and the difference between risk and return on stocks and bonds.
- **Arm children with basic financial tools.** Open a savings account for your child - whether s/he is a newborn or about to enter high school. Show your children how to add gift money or part-time income to a savings account. Or consider purchasing a savings bond or some stock for your child to let her/him see first hand how the money can grow, and at what speed.
- **Teach children about budgeting.** Consider giving your child an allowance and talk to her/him about plans to save or spend the money. Explain how if s/he uses the \$5 on candy, it will take him longer to save money for the latest video game s/he wants.
- **Where possible, turn every day errands into personal finance lessons.** Let your children see you compare the prices, use coupons, or broker a discount on a large purchase. Take the time to explain how and why you make your purchasing decisions. Show children smart purchasing tips such as sticking to a list of needed items, or purchasing birthday gifts in bulk.

- **Teach children about the correct ways to use debt.** With credit card companies targeting college students and more parents giving their teenage children credit cards, now is the time to teach children how to use credit wisely. Explain to children the circumstances under which debt can be used wisely and the importance of paying off the credit card every month - or paying at least double the minimum payment.
- **Teach children about loans.** Most children don't necessarily realize that their parents don't "own" their house, or realize the products for which people take loans. Take the time to teach children about the importance of having a monthly loan within your monthly income, and the importance of paying all bills on time to ensure a good credit rating, which can translate into a lower loan rate.

**Family Foundations** stands ready to help. To reach us, call (904) 396-4846 or go online to [www.familyfoundations.org](http://www.familyfoundations.org).

### **About Family Foundations**

You don't have to solve your financial problems alone. Family Foundations has trained and certified credit counselors who offer financial management and debt reduction services. Family Foundations is a nonprofit, community-based organization and a Member of the National Foundations for Credit Counseling (NFCC). For more information on Family Foundations, call (904) 396-4846 or visit [www.familyfoundations.org](http://www.familyfoundations.org).