Financial Planning

Teaching Kids the Value of Saving

Everyone knows the difficulty of convincing children to save; even adults recognize it's more fun to spend! But instilling valuable savings habits in kids of all ages is vital in nurturing their financial futures.

To help the children or grandchildren in your life understand the value of saving, starting young is a must, as even children under the age of six conceptually understand the power of a dollar. To start them off, buy a piggy bank and have them periodically add coins to it. Occasionally, you can count together how much they have to help them realize that a little at a time adds up quickly. Additionally, take a minute the next time you're shopping to explain to them the cost of some daily household items or groceries – particularly ones they can relate to.

Kids between ages seven and 12 tend to start asking for more and more things. You may remind them, "money doesn't grow on trees" but that doesn't stop them from bombarding you with want after want.

Children can receive the rewards of monetary responsibility through an allowance. Whether it's weekly or monthly, help formulate a plan and discuss their goals; maybe it's buying a new game or some other special treat. You could also make it simple and start a jar system to help them keep track – find two jars and label them "Save" and "Spend." Then, together, agree on how much money should be divided into each category.

Teens think they know it all. What do their parents know? Nothing! While we know that's not really the case, it's good to remind them they still have much to learn when it comes to finances. You can open a credit or debit card for them – or even give them a prepaid debit card – and collaborate to create a detailed budget. Explain where the money is coming from, that credit cards are not "free" money. It's much easier to spend when you can't see cash fleeing your wallet. If they have a job, have them set up automatic deposit so part of their paycheck goes directly into savings for things they may want to buy in the future, like a cell phone or a car, for example. Studies show only about 20% of adolescents between 12 and 18 with earnings are expected to contribute to household expenses, so give them a chance to help. It is also very likely that college students do not know much more about finances than adolescents in high school. Use this as a motivation to open a discussion about their future. Explain how you're saving to pay for college and what expectations you may have about their own contribution.

To help the kids in your life prepare for their futures, it's never too early to start saving. ■