TEACH YOUR CHILDREN WELL

Ten Steps to a Financial Education

Teaching your children to be financially responsible is one of life's critical lessons. As your children mature, you will have many opportunities to teach them about good financial management, from kindergarten to adulthood.

Early years

STEP 1. Shop with your young children and show them how to compare items for price and value. Look at the cost of every-day groceries, such as milk, eggs, bread, or macaroni and cheese, or compare the cost of toys.

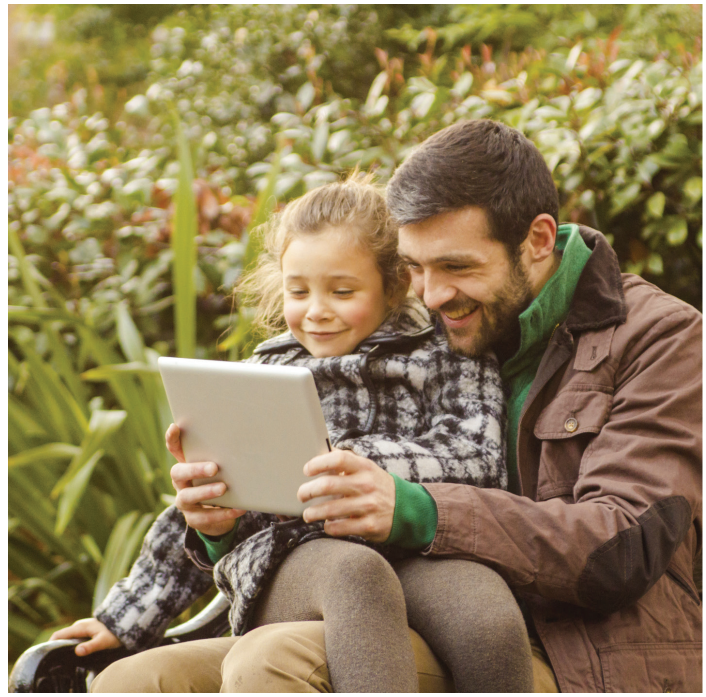
STEP 2. Give an allowance. Giving children an allowance can provide an important first step towards financial responsibility. When should you begin giving an allowance? Should there be any strings attached? It's an individual decision. As for when to begin giving an allowance, it's generally recommended once children are in school.

Middle years

STEP 3. Matching contributions. You can give your children an incentive to save by matching what they save. For example, in addition to giving them their allowance, at the end of the year, match the amount they've accrued throughout the year.

STEP 4. As your children begin to understand more about money and decision-making, take them through your monthly budget to show them where the money goes and to demonstrate responsible decision-making.

STEP 5. Tell stories (real anecdotes) about good and bad money management to convey your monetary values. For example, you could share with them the worst financial mistake you ever made and how you learned from that experience. Or tell them of famous athletes or other celebrities who spent everything they made and then were left with nothing.



Teenagers

STEP 6. Teach teenagers how to invest. Discuss the basics with them and consider opening an investment account for them.

STEP 7. Open a college savings account for your child and contribute to it. Periodically, check the balance with the child, who can watch the money grow. Similarly, once they start working, provide a kick-start to their retirement savings by opening up and making an initial contribution to a Roth IRA.

STEP 8. Work with your older teenagers to start off on a good foot as adults by helping establish a good credit score. List them as a joint account holder on your credit card. Then when they are issued a card on their own, encourage them to always charge a small amount and pay it off each month.

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In general

STEP 9. Be a role model of responsible money management. Paying off all your bills on time and staying out of financial trouble could set the right tone for the next generation.

STEP 10. Teach your children the value of a good education. Talk to them about—and show them how—education pays off over the long term. Did you know that a college graduate earns an average of $25,717 more annually than a high school graduate, or $1 million over a 40-year career? The gap doubles for those with an advanced degree.[1]

1 Source: http://www.census.gov/Press-Release/www/releases/archives/education/011196.html. More recent data may alter this assessment.

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