

Banking on the Future: Raising \$mart Kids - Part 1

by vcmorris - Thursday, April 08, 2010

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When does it make sense to *start* talking to your children about money? I suggest very early.

The age of three works for me because that's just about when children start saying, "I want." When those words are spoken, I think you should have the first conversation with your child about needs and wants. Make it simple. Respond appropriately. Don't expect anything more than repetition of "I want" – but at least you've put in place a tiny bit of groundwork. Each time the "I want" chant starts – ask if this is a need or a want and explain the difference – appropriately and personally to your child.

Over time you will find that your child will begin saying what "it" is that they want – but you'll find *they* will start asking whether what they're asking for is a need or is it a want. Take the moment and explain the difference. Congratulate them on knowing how important it is to know the difference.

My entire mindset is finding a way to talk to your children about money. They might not be mature enough to understand basic financial concepts but they will understand that money is something they can talk about. With that knowledge – as they get older – it will be much easier to teach them about handling money wisely. It will become habit forming.

These early conversations will make a difference when it comes to offering your child an allowance which is usually a child's first experience with the sense of financial independence. Be sure to explain to them what an allowance is why, they're getting it, whether it is tied to doing household chores or not and how they will choose what to do with this money.

This is where I'd start talking to them about something called savings and the benefit of learning this life lesson early. Tell them a mantra they can bank on forever. Tell them **IT'S YOUR MONEY SO TAKE IT PERSONALLY™**.

April is Financial Literacy Month. Here's to your health and wealth.