Begin a conversation about money with children

With April being Financial Literacy Month, it is the perfect time to begin a conversation about money with your child or children. The Federal Reserve Bank of Cleveland offers a helping hand in their guide, “Great Minds Think: A Kid’s Guide to Money.”

This resource first starts with discussing the topic of making choices. To prove your point that money is scarce, you may have used the old adage, “Money does not grow on trees.”

Children need to start their relationship with money by experiencing choices of how to earn, spend and save money. Making choices means they will give up one thing in exchange for another. With your guidance, the child will experience the cost and benefit of making choices.

Possibly, your child has already experienced the benefit of waiting to spend money they have in order to have money to buy something they really want later. Making choices also includes choosing between things that are needed to survive and things that we want.

Ask your child to list five things they need and five things they want. Right now they will realize that you provide the “needs” for them and they can have power in providing things they want for themselves.

Next, talk about how money is earned as income. Money is earned over time doing a job or working. Earning money then allows one to spend and save. To help a child plan to earn money, discuss the following questions with them:

—What special skills and talents do I have?

—How do I enjoy spending my time?

—Do my friends, family, or neighbors need help with something?

—Are there things I have at home or could borrow—like a computer, tools or art supplies—that I could use to earn money?

Be an example for them as well. Tell them the story of your first “little job” that you did to help earn money. Let them know why you wanted to earn the money. The child could write down their talents and skills, three ways they could use their skills to earn money, and then predict how much money they could have in a certain amount of time.

Now with the idea of income, your child will be ready to tackle the basic idea of a budget. Talk about a budget as a plan that balances money coming in (their income) with money going out (their expenses).

Your child may discuss with you all the ways they can earn money. For instance, birthday money, allowance and mowing lawns for the neighbors might be examples. He or she can then add up all they have earned or will earn. Then he or she can list all the ways they would like to spend the money.

Finally, discuss with your child whether or not they have enough money to purchase all they have listed. This then will help them to realize how to make choices, make a plan to earn more money and make a plan to save money for later.

The most important money basic you can share with your child is to save some of what they earn. By saving a little money over time, they then could end up having enough money to buy something really special, and eventually they will learn that their savings is a way of life for their future.

Help your child save money at home in a piggy bank. Maybe take a trip to the bank with your child and open up a savings account if you have not done so already. Explain that they will have a special account with their name on it where they can deposit money.

Explain that this is a safe place to keep money until they need it or want it by making a withdrawal. Going back to the budget worksheet with your child, maybe discuss out of their income what would be a reasonable amount to save from the total.

In addition to helping your child to earn and save money, you may even want to add the concept of giving. This may be added to their budget. Explain it does not have to be much, just the realization that they have power to help themselves and others is a valuable lesson that will have great benefits in their future.

Hopefully, by helping your child to make choices, set goals and make a plan to earn, save and spend money, they will experience a strong foundation for a stable financial future.

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