

Teaching Children Money Smarts

Do your children understand the value of a dollar? Learning how to manage money early is a lesson that will be essential throughout their lives, according to the Massachusetts Society of CPAs. Here are some tips that you can use to ensure that even the youngest children learn how to save and spend wisely.

Give Them Responsibility

Most children begin to learn about money through their allowances. When you give your children a regular allowance and let them make decisions on how to spend it, you're providing them with an opportunity to budget and take responsibility for their own expenses. Each child will be ready for an allowance at a different age, but 5 or 6 is often a good time to start.

An allowance is a great introduction to how money works in the real world. Your children may not always make the right decisions, but they will learn from their mistakes now rather than when they are adults.

Allowance Options

There are many ways an allowance can work. Some parents pay one amount every week, while other children receive money in exchange for certain chores or accomplishments. Some families require children to save some part of their allowance, while others leave this decision up to the child.

You should explain to your children what they are expected to pay for with the allowance. It may be meant to cover splurge items, such as new toys or pizza after school with friends, or you might ask them to chip in on other expenditures, such as equipment they will need for a sports team. On all of these questions, there is no one correct answer, so you can pick the approach that's right for your family.

Encourage Savings

Whether you require your children to save some part of their allowance or not, it's a good idea to open savings accounts for them and suggest that they set a small amount aside whenever they receive it, including birthday gifts or money they earn from summer jobs. Of course, savings aren't meaningful unless they have something to save for. When your child is dreaming of an expensive electronic gadget or some other pricey item, explain that he or she can have it—when there's enough cash in the savings account to buy it. This will teach your children the value of saving and teach them an appreciation of money and the things it can buy.

Get Information

The CPA profession has created several tools that you can use to teach your children about money. The 360 Degrees of Financial Literacy program, for example, contains a wealth of resources, including articles on teaching your children about different kinds of investments and helping teens manage their summer earnings. To learn more, visit www.360financialliteracy.org.

Young adults who are just beginning their careers may also need good advice on managing money. For them, CPAs have created the Feed the Pig campaign. Turn to www.feedthepig.org for articles, podcasts, tools and tips designed to keep young earners on track and help them build a sound financial future.

Have more questions about your family's financial situation? Your local CPA can help. Turn to him or her for advice on introducing financial issues to your children and on the best ways to manage your money.

If you would like to consult with a CPA and do not have one, visit the Massachusetts Society of CPAs' Find a CPA Directory. You can search by service, industry, city, region, ownership and language. Visit the Find a CPA Directory: http://www.msccaonline.org/public/find_cpa.php