Pointers For Parents

Raising Money-Savvy Children

(NAPSA)—Children deal with money daily. Whether it's putting a coin in a gumball machine, operating a lemonade stand or saving money in a piggy bank, children understand that money has value and can be used to buy treats, toys and even necessities.

"In the past, some parents thought it was inappropriate to talk to children about money. But today, with so much marketing aimed at children, it's important for them to understand where money comes from and how to spend—and save—it wisely," says Barbara Anderson, Ed.D., vice president of education for KinderCare Learning Centers, which operates more than 1,250 early childhood education and child care centers nationwide.

"Even young children can understand the basic concepts of money: how it is earned, saved, shared and spent," she said. Anderson offers these tips for raising money-savvy children.

Children can and should learn that money is earned. Instead of giving a child an allowance, have him earn it. Washing windows, taking care of the family pet or selling used toys at a garage sale are great ways for children to earn money. Business and math concepts can be learned at a sidewalk lemonade stand. Explain to your child that a cup of lemonade costs 10 cents to make but, when sold for 25 cents, he can make a profit of 15 cents a cup—a lot of money to a young child.

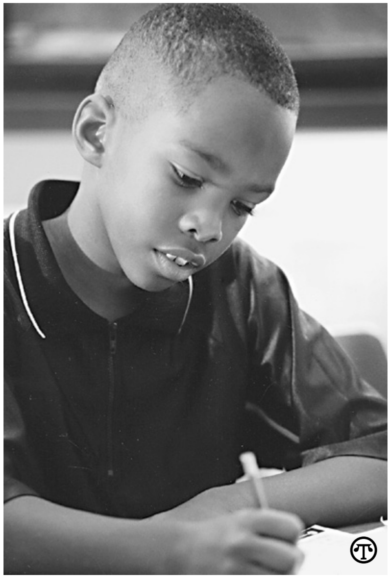

Photo: KinderCare Learning Centers

Take your child to the bank with you and let her watch as you make a deposit or withdrawal. Explain that when you save your money in the bank, the bank pays you, but when you borrow money from the bank, you have to repay the bank.

Open a savings account for your child. Encourage her to add to the account. Explain the advantages of saving early and often and establish a long-term goal, such as buying a bike or saving for college. This helps your child make the connection between saving and future rewards.

Earning and saving money are important lessons, but children also should learn to share money. Remind them of their responsibility to others and stress the importance of sharing. Help them find a worthy charity—possibly one that benefits children—and have them set aside money for that cause each month.

John D. Rockefeller used a formula to determine how much to save, spend and give to charity. He set aside 20 percent for savings, five percent for charity and 75 percent for spending. Have your child make three piggy banks (paper mache or fabric wrapped around a large can works well) and label them "save," "spend" and "share." For every dollar your child receives, put 20 cents in the "save" bank, 5 cents in the "share" bank and 75 cents in the "spend" bank.

The idea is to teach children to save first, then spend. At an appropriate time, open the "spend" bank and help count the money. Decide together how to spend it. Let your child come up with ideas, offering guidance when needed.

Learning wise money management skills is a lifelong pursuit. But Anderson reminds parents of a key concept in money management: "The younger you are, the more time is on your side as you earn, save, invest and share money."