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The Frugal Shopper

Save more, spend less



4 Fun Ways to Teach Your Kids About Money

Talking about saving and smart spending early can help instill essential lessons.



You can incorporate money talk into family mealtime.

By [Karen Cordaway](#)

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Have you ever wished that someone [taught you more about money](#) as a child? The sad reality is that many students graduate from college with a degree but unable to manage their money. Here are some tips to educate your children about money so they can better handle their finances in the future:

Talk isn't cheap when it comes to money.

Dianne Caliman, creative director of The Centsables, an award-winning animated TV series on the Fox

Business network, believes talking is key when it comes to money matters with children. She suggests including your children in the family's [money management activities](#) such as looking through circulars and clipping coupons.

She points out that these types of activities are great jumping off points for discussions. Caliman explains that showing real life examples to children fosters understanding and meaningful connections to money management. "Show the kids your bills, and explain how purchases made earlier must be paid for now," she says.

Caliman also reminds parents to be role models and to ask themselves the following: What messages do you send your children? Are you living beyond your means? Do you pull out the plastic for every purchase? Do you and your spouse worry or argue about money? She advises taking a look at your own money habits, and make any changes where you think necessary. "When you exercise good financial judgment, you are automatically teaching your children by example. That's a win-win situation for all," she adds.

Make a budget-based allowance.

Bill Dwight, founder of FamZoo.com, suggests giving children an allowance that is based on a very simple budget. "Make a list of the typical things you would expect your kids to buy for themselves over a period of time, plus how much you would expect them to save and give, and calculate an allowance amount to match those clear expectations," he says. Dwight adds that as your kids mature, you can extend the budget to cover more areas of spending like clothing. This approach helps insure that an allowance is a [personal finance teaching tool](#) rather than an entitlement.

Practice paying back loans before college.

One way to get practice at paying back a loan is to lend your kids money. Dwight suggests teaching your kids how to manage loan payments by arranging a parent-financed loan for a big ticket item like a laptop or a smartphone. "Direct a portion of their allowance, chore or job payments to paying off the loan each period. By making regular payments over an extended period of time, not only will your kids appreciate the cost of expensive items more, but they'll take better care of them."

Take on the tough lessons, too.

No one said teaching kids about money was easy. It may take work to get kids on board with the idea. Rod Griffin, director of public education for Experian knows this firsthand by getting a little pushback from his own granddaughter when it came to the topic. In her elementary school class, she has to "pay" for her school books and "rent" the desk she sits in with pretend money she earns through various activities, academic performance and good behavior. What she [saves after expenses](#) can be used to "buy" rewards. She fussed a bit but is learning responsibility while informally learning about personal finance in the process.

Griffin points out that many parents feel ill-equipped to teach their kids money concepts especially more advanced ones and don't know what to do. He explains how there are many sources on the web that can help. Griffin recommends checking out Moonjar.com for younger children, because it explains the basics of saving, spending and giving. LifeSmarts.org is geared toward older kids and provides free lessons online via videos and other tools.

Griffin also suggests showing high school and college-aged kids an actual credit report. A sample one is provided on the Experian website to understand the different parts and what they mean. They can see how their financial decisions impact how prospective creditors view their credit history. They get to see how their financial behavior, such as paying bills on time or being late, is tracked and recorded much like a permanent record.

At some point, everyone has to manage their own finances. The more exposure and practice a child gets, the better equipped they will be in the future when they have to make financial decisions on their own. Consider teaching them age-appropriate lessons as they grow to help them develop the skills they need to [successfully handle their money](#).

TAGS: money, personal finance, shopping, savings

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Karen Cordaway is a teacher and writer who currently shares [money saving tips](#) on her website, MoneySavingEnthusiast.com.

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