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TEACHING YOUR KIDS ABOUT MONEY

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Published in the Waterfall Estate Magazine September 2016

"Money...is like a beautiful thoroughbred horse – very powerful & always in action, but unless this horse is trained when very young, it will be an out-of-control & dangerous animal when it grows to maturity" Author Dave Ramsey

Talking to your kids about money seems to be as taboo as talking to your kids about the birds and the bees used to be when I was a child. But similarly, how can you expect your children to make financially sound decisions as adults when you don't educate them about money and making responsible choices. Here are three thoughts to get you started:

1. Set a good example

I have read a lot of parenting books and they're all in unison - You can make rules and have conversations until the cows come home but if you don't practice what you preach it falls on deaf ears. So what does this mean in terms of teaching our kids about money? You need to set an example for your children of responsible spending. Talk to your kids about saving up for a special holiday and don't spend more than you earn. Children watch their parents very carefully, they also pick up clues from conversations between parents and adults – there's very little you can hide from them. Being a parent is the toughest job in the world and you have to set a good example in everything you do.

2. Have money conversations

Financial literacy has been included in the school curriculum but on a very basic level. Children need to learn at home how to be money savvy. It's not the elephant in the room – unless you treat it like it is. Conversations should be age appropriate and use daily events as teachable moments. Explain to children when you go shopping how credit works and that you have to repay the bank or the retailer at the end of the month for goods bought on credit. The more you talk to your children about money the more confident they'll be to ask you questions and so the conversation grows. Don't let your kids make their own assumptions or ask their friends, the best way to teach them is to have honest conversations about practical situations that you encounter as a family.

3. Let them learn from their own mistakes

Pocket money is not a new concept but pocket money without any responsibilities serves no purpose. Children should not be rewarded for doing chores by earning pocket money. Everyone in the household has responsibilities and household chores should be shared by family members according to their age and abilities. Help them set goals and save over a couple of months to purchase something special. You'll have the added benefit of teaching them about delayed gratification. Teach your children about the wonderful power of compound interest by adding extra cash to the money that they've saved. For older children pocket money could be increased to cover clothes and toiletries. We all learn from our own mistakes and it's much safer for your child to learn their first few financial lessons in the safety of your home than in the real world once they've flown the coop.

Everyone of us has a different relationship with money and it has a lot to do with our upbringing and childhood. We all want our children to grow up to be successful, confident, financially independent adults - teaching them about money is a big part of getting them there.

Ron Lieber, an ex-columnist of the New York Times and the Wall Street Journal wrote an excellent book called "The Opposite of Spoiled". It covers all the basics: the best way to handle the tooth fairy, allowance, chores, charity, savings, birthdays, holidays, cellphones, splurging, clothing, cars, part-time jobs and University fees. The book is a good introduction for parents to start having money conversations with children. It's very practical and a great read for anyone keen to take the first step in raising financially savvy kids. The book is available from Amazon on audio, eBook, hardcover and paperback.

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