

LIFE LESSONS FOR LITTLE ONES

Simple steps to teach them about saving

If you are a parent, you already know how important it is to cultivate a healthy relationship with your children. But what about their relationship with money? Baby steps, one step at a time.

Step 1 Children learn to copy YOU.

The example you set is your strongest teaching tool. If you give in to impulse and buy on credit or splurge on expensive luxuries, your children will see, and eventually they will imitate you. Rather let them see you denying yourself a treat, or saving up for something special, rather than just swiping some plastic to get it now.

Showing works far better than telling. By setting a good example you will help them to understand when you place the same restrictions on their spending. You can never expect a child to follow a rule that doesn't apply to you.

Step 2 Finances are not TABOO.

Perhaps you think you ought to shield your children from your financial worries. This is understandable, but they shouldn't be completely unaware of how money works. Obviously, you don't want to traumatise them about where their next meal is coming from. Having said that, your budget and your financial situation shouldn't be a deep, dark secret either.

Try to talk about money as a family, when planning the month's groceries, or budgeting for an outing. By giving concrete examples, you'll help them to understand what the real world is all about. Take them shopping and let them see how you compare prices or make the choice to buy in bulk.

Step 3 Every parent says it: "Money doesn't grow on TREES!"

In the real world, there's no such thing as a free lunch. In other words, pocket money should be earned! Even if it's only for doing basic chores – cleaning the car or weeding the garden – there should be a clear relationship between work and reward. You don't need to treat your children like slaves, but you can make money something that is in their power to earn, rather than something they feel entitled to.

If you structure your child's pocket money like this, and provide annual increases or even a 'performance' bonus for good behaviour, you'll be preparing them very well for their first job.

Step 4 Every child must know it: The difference between WANTS and NEEDS.

Your children might think they cannot live without a new PlayStation or iPhone, but you know it's not the case. Peer pressure can make children very demanding, but it's important that they learn that they cannot always have everything they want.

If your child really wants something very badly, why not make a deal? A distinction on a maths paper, for example, could be the criteria they must fulfil before they can have the fancy new gadget. Explain to them that good marks are a need, something they cannot succeed without, whereas that video game is a want, and needs come before wants.

Step 5 You can give them the power – to be financially FREE.

Finally, you can make the lessons you want to instil very practical and real, by helping your children set up their own basic budgets, opening savings accounts for them, and teaching them about inflation, interest, and even tax when they're a little older. They will thank you for it one day!

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