ACCOU

NTABLE *Living*

TEACHING BEHAVIORS TO HELP CHILDREN BE BETTER *financial stewards*

BY JUSTIN GRIFFING / FEATURED WRITER

MONEY

When my wife and I married, a good friend gave us a book titled *Smart Couples Finish Rich.* It was the sort of book that would catch one's attention in the financial section of a bookstore. After all, who doesn't want to finish rich? This wasn't the first time I'd ever thought about financial management, surely. In Scouting, I had to earn a merit badge that required setting up a personal budget. My mother had taught me how to balance a checkbook. The real question arose, however – how much did I know about financial management?

We are familiar with many of the basics of what one should teach their children – tying their shoes, not talking to strangers, calling 911 in an emergency, and a host of other obvious life skills. Do we ever really think about what to teach children when it comes to money? Quite often, our strategy is to teach our kids using allowances and encourage them to save up for what they want. What do we really teach, though?

Financial Behavior

Selena Swartzfager of the Mississippi Council on Economic Education (MCEE) is quick to point out that "Financial management education isn't just about knowledge, it's also about behavior." Her words ring true. It is easy enough to sit down and do the math to balance a checkbook or to set up a budget. The reality, however, is that once we have done that, we have to have the discipline to follow through. When we see, for example, that our budget for a given month only allows $60 for entertainment, we can't expect that we will be going to the movies and getting drinks and popcorn every week of that month.

Mississippi

The unfortunate reality is that Mississippi comes in lowest on the vast majority of positive economic indicators and highest on the vast majority of negative ones. It is easy to look at these and want to give up. But there is hope. We can improve our own accountable living and financial management and ensure that future generations do the same.

Educating Our Children

MCEE is working with schools across the state in order to bring financial management education to students. Currently, programs are in place that make financial education part of the high school curriculum. Financial programs are also being adopted by middle schools. These programs help fill in a common gap in a child or teenager's financial education.

School-based programs are not enough on their

own. They must be combined with lessons and best practices at home. According to Swartzfager, a combined front makes all the difference.

HERE ARE SOME PRACTICAL STEPS TO GET STARTED:

First, Embrace an Economic Way of Thinking

Kids must embrace what Swartzfager refers to as "the economic way of thinking." Everything we do comes at a cost, which must be weighed against other factors. These costs are not only monetary. They affect what we can do in the future. If I spend $10 on lunch today, that is $10 subtracted from the amount available for other expenditures.

Second, Understand Income

To manage one's finances, one must have finances to manage. Kids need to develop income streams. For children, those income streams are often in the form of allowances, neighborhood chores (such as babysitting or cutting grass), and financial gifts on special occasions. Regardless of where the income originates, this is an opportunity to teach your children how to responsibly allocate income to spend, to invest, and to save.

It is also worth noting that part of financial responsibility is learning that you are not compensated for everything you do. While allowances are typically set by parents with age in mind, there are some chores that are simply done as being part of a family and a community.

Third, Develop Checking Account Skills

From the time a child is able to perform basic addition and subtraction, it becomes possible to teach them about balancing a checkbook. It doesn't take an actual checking account or a checkbook register. If the child receives an allowance or money from other sources, have them record this in a small notebook. Also, have them record the money they spend. With addition and subtraction, they are able to keep up with their balances and occasionally check them by counting their actual money and comparing the amounts. While you are teaching them this, let them see you balancing your accounts.

Fourth, Demonstrate Budgeting

As a child grows older, it becomes possible to teach them about budgeting. While it is not necessary to share with them the entirety of household finances, it is important that they see the budgeting process. Do not merely show the mathematics of it, but explain how decisions are made. Encourage your children to take their income and budget it according to categories that are important and necessary to them – spending, savings, tithing, etc. There are a number of budgeting models available to use. One of the most popular is the envelope system espoused by experts such as Dave Ramsey.

Fifth, Learn to Save

One of the greatest financial problems in modern American society is the tendency not to save. Once a child is old enough, teach them to set aside a portion of any money they receive for savings. This amount can be kept separately from the rest of their money. It too should be tracked in the notebook register and compared once a month between register and the physical money kept.

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It is important to model the behavior for your child. Quite often, children respond better to modeling than to instruction. Observation leads to questions. Responding to childhood curiosity with age-appropriate answers is a great teaching tool in their journey to understanding financial management principles.

Emotional Buying

Understanding why we buy is fundamental to embodying an economic way of thinking. Often we buy based on

emotional decisions. We "want."

While many of our purchases go toward basic needs, the ways in which we fill those needs are generally based on emotion. As an example, clothing is a basic need. The clothing we choose to buy, however, is based on emotional influences such as wanting to fit in with peers or developing a style that makes us feel good. Once we have made an emotional purchase, we find ways to justify that decision with practical features and benefits, such as "this goes with other items in my closet," "my other needed replacing," or "I really needed something this color."

Understanding emotional buying and justification allows us to begin separating and balancing purchasing needs and emotional wants. We can certainly make purchases for emotional reasons, but it is important that they are recognized for what they are: "want" purchases.

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Avoiding Debt

In addition to understanding emotional purchasing, and essential to any lessons in financial management, is the importance of an understanding of debt.

Easy access to credit proves tempting to practically everyone, even those without jobs. Often times, when a young person is first able to get a credit card in college, they jump at the chance, and this can be the beginning of long-term, high-interest debt.

Debt represents an increased cost for whatever it is we are buying. The money spent on interest does not add any value to the purchase; it just increases the price tag.

Across the board, debt is an increasing problem in our country; however, it is becoming extremely prevalent with students. Due to rising tuition costs and the core importance of a college education for most people entering the workforce, college students are graduating with significant financial burdens from college loans. College loans combined with credit card debt can be crippling for an out-of-work new graduate seeking an entry-level job.

As parents, we need to teach our children to avoid having debt to manage, where possible, and help them understand the ways in which debt cripples income, limits economic freedom in the moment, and increases the cost without increasing value.

Lifelong Empowerment

As parents, we all want to empower our children and provide for them as best we can. Early financial management education can give a young person the tools to approach financial management with confidence and knowledge that will open doors and opportunities for the rest of their lives. As parents, mentors, and teachers, we may all learn something ourselves. - **EJ**

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