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MAGAZINE

KIDDY CASH. The piggy bank has stood the test of time, but there are even more ways to teach your child how to understand money management.



Common Cents

Using everyday activities to teach kids how to manage money is a valuable life lesson yielding many happy returns. // STORY BY JUSTIN KRANE

➤ **TEACHING YOUR KIDS ABOUT PERSONAL FINANCE** CAN BE A CHALLENGE FOR PARENTS. SO WHERE SHOULD YOU START? EVER CONSIDER USING ORDINARY LIFE EXPERIENCES? IF YOUR CHILDREN ARE INVOLVED—AND BETTER YET, CAN BENEFIT—FROM A GIVEN SITUATION, THEY WILL BE MORE INVESTED IN THE PROCESS AND MORE APT TO LEARN. THAT WAY, WHEN SOMETHING HAPPENS TO YOU AND YOUR CHILDREN INVOLVING MONEY, YOU CAN USE THE EXPERIENCE AS A GREAT EXAMPLE TO REINFORCE WHAT YOU TEACH THEM.

Spend, Save or Donate

One way to introduce kids to money is to let them know that they can do three things with it: spend it, save it or give it away to other people or organizations that need it. Kids need to know that they have the right to choose how they spend, save or give away their money. Support the decisions they make. If you feel that your children are making mistakes with

money, let them fail and let them learn from their experiences. Ask them what would have to happen for things to go right the next time. That way, it probably won't happen again.

Knowledge to Bank On

Ask your kids what they would like to buy if they had money. Let them tell you, and ask them if there is anything else they would like

to buy. Have them write down their answers, which will give them greater clarity. Then have your kids rank what they want in priority of what's most important to them by focusing on needs versus wants. If they choose something of value that is more money than they have, then educate them that they will have to save up for it. Based on your child's age, you can use a piggy bank or even open up a bank account. If you don't have a piggy bank, take your child to a store and let him or her pick one. If you would like to open up a bank account for your children, let them choose a bank. Take them around town and let your kids see for themselves which bank they like—they may just like the name, or the colors or the location. Use this as an opportunity to explain to your kids what a bank is and how it works. Along with your child, you can now track how he or she spends and saves and how much money he or she chooses to give away.

For a Good Cause

If your kids see you doing something based on your own free will, like helping people in need, they will see just how important charity is. They will follow your actions and will be inclined to financially help people just like you. Ask your kids who they would like to help and why. If they don't know of a charity or a cause that they like, pick one your child may have an affinity for, like one that aids underprivileged kids or is related to sports, animals or the environment. If you feel it's appropriate, take your children to the charity and have them hand money or other possessions of theirs over to someone at the organization.

Lemonade, Anyone?

So how do we teach kids about topics such as diversification, budgeting, getting a loan and taxes? Try the good old-fashioned lemonade stand. Where are the kids going to get the money to buy the water, juice, lemons? Loan it to them and teach them the concept of borrowing money. And also use an interest rate. They probably won't know how much money they will need to borrow. Take them to the supermarket and price everything out. If they can add, let your kids itemize the cost of each item and tell you how much money they will need. Help them add up the bills to double-check that it's the right amount that they'll need to buy everything. Then loan them the money and ask your kids to pay for everything themselves. Additionally, if you want, this is also an opportunity for you to explain to your kids what a credit card is and how it works.

Teach your children about diversification—maybe if they sell more than just lemonade, they will have a greater chance to diversify their revenue stream. Have them consider selling lemonade, soda, cookies and other treats. Ask them if they think a lot of cars will drive by the street you live on or if they think they can be more successful at a busier place in your neighborhood. After your kids pay you back, tell them they owe one-third of their profits to the government. Explain to them how taxes work and why we have to pay them. As they would be excluded from paying taxes on money earned via this endeavor, have them consider donating the “tax” amount to charity.

If you tie the payment of an allowance to chores that your kids perform around the house, then they will expect to be paid for contributing their share of the work for the family. Let your kids know that you are giving them money because you want them to learn

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how to use it wisely—spending, saving and giving to charity.

Your Own Money Beliefs

When you teach financial concepts to your kids, you may learn and be reminded of what money means to you. Are you a spender or a saver? Are you an entrepreneur, a risk taker? How do you feel about giving to charity? What were your first experiences with money? Learning about personal finance is a lifelong process. Try making this back-to-school season a special one for the entire family. Have fun teaching your children. You may get as much out of it as they do.

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