



Talking to kids about money: An age-appropriate guide

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Globe GenYmoney Q&A

Question from Globe reader Bryan: Can you suggest any resources for teaching children about money?



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The answer: I hear ‘no one every taught me about money’ often in my office. Until recently, personal finance wasn’t taught in elementary or high school. Things are changing now (hurray!) but there are still so many lessons that we can show kids at home to set them up for a healthy financial life. I cannot stress how important it is for kids to learn about and develop a healthy relationship with money before they are handed a credit card for the first time in post-secondary.

Here are my kid-friendly money primers for parents, divided by age.

Ages 4-6: Introduction to money

Between these years, children become aware that money buys things, and they are also aware that some people have more than others. It’s easy for kids to see

that one of their friends has the cooler or better toys. This is a great time to introduce the concept of money and charity to kids.

The lessons to tackle:

1. Money buys things
2. We can share money with people who have less
3. Money can be earned

Tools and activities to use:

– Use a piggy bank and physical coins so kids can touch the money, see it and have fun popping it into the piggy bank. The amount you give them doesn't have to be on a formal allowance yet at this age. Maybe tooth fairy coins, small gifts etc.

– Play games to introduce the idea that effort is related to money. For example, my dad used to give me a nickel for every branch I could clear from the beach when we opened our family cottage each spring. One time I made \$3 and it was the greatest day ever. When I got a bit older, I use to be able to earn \$5 for every bag of leaves I could rake from the lawn during the fall. This usually amounted to \$20!

– Let them practise purchasing small items like toys or a treat so that they can participate in an actual transaction at a store. Once they've spent their money, be sure to drive home the fact that now they have less money in their piggy bank.

– Introduce the concept of charity. Let them choose which charity cause they'd like to donate to and you can take them to a donation box so they can physically put their donations in and physically use their money. You don't need to introduce the tax credit just yet. But, if they get a receipt, all the better.

Ages 6-9: Introduce allowance

Ahhh yes, the beginning of the allowance years. It doesn't need to be a lot of money, but it should be consistent and linked to chores. Yep. I'm a firm believer that the point of an allowance is to mimic work. It is essentially your child's first job. First and foremost, make sure that you decide on an allowance amount that you can afford so that you can be consistent with the payments and it doesn't affect your own financial health. I usually suggest a weekly

allowance so that if your kids miss chores one week they still have the opportunity to get next week's allowance. Don't pay the allowance unless the chores are done. Paying money for no work can often perpetuate the idea that money grows on trees and that there are no financial consequences to our actions. Wrong! There are. Chores can be as light or tricky as you'd like depending on your child and their age.

The lessons to tackle:

1. Baby's first budget! This is when you introduce saving and spending in a routine way
2. The value of currency. Introducing bills and coins and how much they are worth together
3. Introduce saving and spending

Tools and activities to use:

- Use physical money, bills and coins. This is great so kids can touch and play with it while they work on their addition and subtraction skills
- I suggest having three jars labelled Spending, Saving, Charity. Often putting one third of the allowance into each jar is a really great way to introduce the budget. For example, if the weekly allowance is \$6, you'd show your child that \$2 goes to savings, \$2 to spending and \$2 to charity.
- I also suggest that you have a budgeting chart or book. Each week you give them their allowance and teach them to add their money to each jar. Then, help them tally up the amounts in each column: How much is in Charity, Savings and Spending now?
- Let them pay for whatever they want out of their Spending jar. Be sure to show them how to subtract the amounts they spent from the totals on the budget chart so that they can see the value of their spending money fluctuate up and down depending on their spending habits.
- Introduce the concept of saving up for a big purchase. Set a spending goal with your child and ensure that it will take three weeks of spending money deposits to achieve. For example, if they get \$6 per week and \$2 goes to Spending jar, the purchase has to be \$5-\$6. This will show them that they can't spend their money in the short-run in order to purchase what they really want in three weeks. It teaches patience, savings and delayed gratification.

Track this on their budgeting chart as well and make a big deal of it when they have succeeded. This is a huge life lesson.

Ages 10-15: Pre-adult money years

These are prime years for your kids to really practice financial foundation. Keep the allowance going. It can increase if you're safely able to afford it but chores should increase in difficulty as well. I suggest moving things online during these years as well. Baby's first bank account! Lastly, and perhaps most importantly, these are the years that you need to teach your kids about debt. Preaching credit card abstinence may not be helping your kids in the long run. It's likely that they are going to get handed a credit card their first week of post-secondary. If kids don't understand how debt works, this can be disastrous. Plus, eventually they should have a credit card since having credit is the only way to actually build a good credit rating. This is your time to teach them how to borrow safely so they don't end up racking up a ton of debt later on.

The lessons to tackle:

1. Introduce electronic payments and bank account
2. Teach them how to borrow responsibly

Tools and activities to use:

- Open a chequing account and a savings account for your kids. This way, you can electronically send them their allowance with an e-transfer and teach them how to move money from chequing to savings. I don't suggest automating savings quite yet. You really want to get your kid to get in the habit of checking their online bank accounts on "payday" and moving money to savings.
- Use chore bonuses to earn more money above allowance if you can afford it. Pick larger ad-hoc jobs that you want your kid to do (clean out pantry, wash the car, re-organize the tupperware cabinet) and offer bonus money once every one to two months. This gives your kids an opportunity to make a choice: Work more and earn more? Or, live within what I've got. It's an important lesson.
- Lend them money. Baby's first loan! Oh, I know. This feels scary. But, you still control the money. If your kid wants a large item, like a ukulele, or experience, like Canada's Wonderland, and they don't have enough spending

money, take advantage of this opportunity to teach about debt. Say your kid wants to go to Canada's Wonderland with their friends and it's \$40 but they only have \$5 in their Spending jar and they get \$10 a week for allowance. You can "lend" them \$40 today but charge \$5 per week for the next eight weeks to pay it back. This way, you're not clearing out all of their spending money, they get to go to Canada's Wonderland and you get reimbursed. For the next eight weeks, you pay \$5 per week (instead of \$10) allowance, keeping the other \$5 for yourself to be reimbursed. Track this with them in the budget chart. Talk about it. If they get frustrated at the lower payments over the next eight weeks, that's great. What a great learning opportunity. This is what borrowing is. You get what you want right away, but you have to pay it back and that can be frustrating.

These lessons are so important. You want your daughter or son to feel confident and competent when they head out into the real world. With these tools and activities they will understand the value of a dollar and that money doesn't grow on trees.