

Talking money with kids builds lifelong good habits

Experts say kids as young as three or four can start learning basics

by Craig Wong, The Canadian Press
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OTTAWA – Talking about money might not be considered the polite thing to do, but experts say when it comes to talking about money with children, the earlier the better.

Gary Rabbior, president and chief executive of the Canadian Foundation for Economic Education, suggests children as young as three or four can start learning some of the basics about money.

One of the earliest and most important lessons children can learn is that every decision you make with money involves a trade-off.

“Part of the parenting dilemma which starts at a very young age is, ‘How do you tell a kid they can’t have everything they want?’” Rabbior says.

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“When you buy something or make a decision about one thing, you’re giving up the opportunity for something else and we really advocate that as one of the most early learning experiences because that concept of trade-offs helps kids understand they can’t have everything they want.”

Learning to distinguish the difference between needs and wants is a key lesson for children and even parents who may be struggling to stick to a household budget.

Natasha Nystrom of the Financial Consumer Agency of Canada says once children start counting, it may be time to begin introducing some of the concepts about money, including the different coins and bills and what it means to spend them.

“If you’re making your grocery list, you can involve them in that,” says Nystrom, a spokeswoman for the agency.

“If you’re looking at flyers to save money on some of the items on your grocery list, you can involve them so that they can help you cut out some of the coupons that might help you save some money.”

Nystrom says an allowance can help kids learn how to save for a toy they want.

Rabbior urges parents to involve their children by making it hands on and interactive instead of trying to tell them something.

“Kids learn and retain information much more effectively by being active and a participant,” he says.

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“Actually go out into a store, go and do some comparison shopping. Let them see how prices differ from one place to another.”

When it comes to an allowance, Rabbior says parents need to do what works for their family and their values about money.

Questions about how much it might be, whether it is given as payment for doing chores or just doled out for children to decide what to do with, are things to consider.

“Allowances is the one thing where there is no prescription that we lay down or anything we recommend because there are so many variables at play,” Rabbior says.

“Ultimately, parents should read, reflect on what people say, but in the end make their own decision.”

But he says teaching children about money isn’t about stopping them from making mistakes because they can be powerful learning experiences.

“If they want something and you know you’ve taken them through and guided them on the decision, but they really want to spend their money on this thing even though you don’t think they’ll want it next Thursday, go ahead and let them to it,” he said.

“The consequence of that is much better than later on when they are spending much more money on a much more significant decision.”