

# FINANCIAL EDUCATION

*for*

**kids**



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## Intro

Did you know that lifelong money habits can be well set by the time a child is 7 years old?

In fact, research shows that money management skills and shortcomings are molded and forged while in childhood. Children learn by example and by the way we present financial education to them throughout their early years.

We all want our kids to grow into financially healthy adults. But how do we get them to learn these crucial skills they'll need for life? To meet this challenge,



parents need to make financial education child-friendly, and present it in a way a young mind can grasp and remember.

Here's all you need to know about teaching kids to handle money, from the cradle to college and beyond.







**Part I**

**Financial**

**Education for**

**Children Ages**

**2-5**



# Introducing the Concept of Money

It's never too early to learn about money. As soon as children can understand basic words and concepts, you can introduce them to money and its purchasing power.

Toddlers learn best through experience; every errand you take with your toddler can turn into a teachable experience.



- Use a grocery run to point out price tags on food items and to teach your child that these numbers tell you how much money the items cost.
- A visit to the credit union provides an excellent opportunity to introduce your child to the concept of banking.
- When you use your credit or debit card in a store, tell your child that this is another way to spend money.
- When you and/or your partner head off to work, you can explain to your child that you need to work to earn the money you need for living.

As your child matures and their grasp is stronger, you can begin allowing your child to take an active part in your shopping excursions. Ask your child to find you the brand with the cheapest price. Let them pay for your purchases on their own, and with your supervision. Each positive interaction with money is sowing the seeds for a lifetime of financial responsibility.



## Lesson 1: Money Doesn't Grow on Trees

When your child graduates toddlerhood for preschool, they will likely be old enough to understand abstract ideas. You can now begin teaching them deeper concepts about money.

A great place to start is teaching your child that money doesn't grow on trees. In a world where you can buy almost anything with plastic, by scanning a phone or



even online, children can be under the impression that money comes from an infinite source. It's crucial for children to learn that money is limited, must be earned and that you can only spend the money you have.

Kids in this age range won't do well with lectures. Instead, let them learn through experience and hands-on observation. Here are some ways to bring this lesson home:

- Start an allowance system. Preschoolers are old enough to begin receiving a small weekly allowance. You can use the three-jar system, in which you label three jars as Spend, Save and Give and then have your child divide their allowance between the jars accordingly. For very young children who can't yet read, be sure to mark the jars with pictures or colored labels in addition to the written word.
- Set up a mini budget when shopping with your preschooler. A 4-year-old is too young to understand a monthly budget, but on small shopping trips, you can let them know how much money you have to spend, and let them help you stick to that amount.

- Offer extra money for extra chores. Once your child grows accustomed to having their own money, they may develop a taste for more. Feed this instinct and teach them their first lesson about earning money by offering a few extra dollars for completing extra chores.

## **Conversation Cues**

Use these conversation starters to help bring the lesson home:

- How do mom and dad get the money they need to buy things?
- Does working harder always mean making more money?
- How would the world be different if money actually grew on trees?



## Lesson 2: Separating Wants from Needs

Once your child begins amassing their own money and actually has some purchasing power, you can start teaching them how to separate wants from needs.

The core of this lesson is teaching your child that wants are things we'd like to have, and needs are things that are necessary to survive and function; such as food, clothing and shelter.

For a preschooler, nearly everything they want to spend money on will likely be wants. They'll want a new toy, a new doll, a new book or the latest trending "must-have" among their friends. By teaching them how to tell the difference between true needs and wants, you'll be giving your child the tools to make responsible spending choices while standing up to peer pressure.

You can teach your child this lesson any time you shop together. You can point out a cute top or a pair of boots

that you'd love to buy but are out of your budget. Tell your child that these are wants and not needs, and that you are going to use your money on needs before buying any wants. Similarly, when you do splurge on a want, let your child know that you have made the conscious decision to purchase this want because you have already paid for all your needs.







Bonus activity: Create a set of cards and write one want or need on each. Have your child separate the cards into two piles by separating the wants or needs. For an older child, you can have them place the cards in order from highest priority to lowest.

### **Conversation Cues**

Use these conversation starters to help bring the lesson home:

- What are some things you need in order to survive?
- Can you list some things you wish you could have?
- Is it more important to pay for the things we need or for the things we want?
- How can we pay for some of our wants?

## Lesson 3: Some Things are Worth the Wait

In the famous Stanford study, children who were able to wait for more marshmallows scored higher on their SAT exams, had lower divorce and addiction rates as adults and were generally more successful than their peers who preferred to have one marshmallow immediately. Clearly, teaching kids the value of delayed gratification will serve them well throughout their lives.

You can use the marshmallow experiment as a springboard for this lesson, either by telling your child about the study or by conducting your own experiment with marshmallows, or any other small incentive. Remember: When you teach this lesson to your child, you are laying the foundation for complex financial topics, including saving, investing and retirement planning.

Once your child has grasped the basics of delayed gratification, you can help them use this concept to

save for a large goal. Explain to your child that saving some of their allowance today will help them save up for something big and exciting in a few weeks, or a few months, down the line. To help them achieve their goal, you can create a visual chart for your child with clear markers for small goals (i.e. \$10 saved) and for larger goals.





## Conversation Cues

Use these conversation starters to help bring the lesson home:

- When is it worthwhile to wait for something?
- Have you ever regretted not waiting for something?
- Why is waiting so difficult to do?





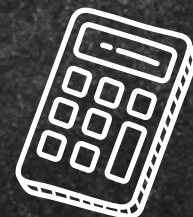
**Part II**

**Financial**

**Education for**

**Children Ages**

**6-12**



## Lesson 4: Sharing Wealth

Your child is a little older now and can begin to think beyond their own needs and desires. This age is perfect for teaching children about charity and giving.

If you've been using the three-jar system for your child's allowance, you have already taught them to incorporate giving in their money management from the get-go. Take this opportunity to talk to your children about various ways they can share this money with those who are less fortunate.



Here are some ways you can impart this lesson to your child:

- Read age-appropriate books about charity and giving, such as Horton Hears a Who or The Berenstain Bears Think of Those in Need.
- Help your child choose a charity that speaks to them. You can choose a charity that aligns with your child's interests, or one that benefits children. Alternatively, find a local charity that accepts non-monetary donations and guide your child through giving away



some old clothing, shoes or toys, or food you no longer need. A charity website, like Charity Navigator, can help you through this step.

- Assist your child in finding a friend or family member who can use some extra hands. Prompt your child to volunteer their time and help this person in need.
- Before the holidays, designate one evening for writing holiday cards to send to children who've been stricken with illness. Set up a table with lots of cardstock and all your kids' favorite crafts supplies. Have fun creating your masterpieces and inscribing them with positive, encouraging messages. Then, get your gang into the car and drive over to the local hospital to deliver them personally!

## **Conversation Cues**

Use these conversation starters to help bring the lesson home:

- In what ways does giving benefit the giver?
- Can you list three things in your life that can make another person happy?





## Lesson #5: Saving Smarts

School-age kids are old enough to understand saving on a deeper level than preschoolers. You can introduce more complex saving topics, like investing and saving for the long-term.

For this lesson, you can build upon what your child already knows about saving, either from their own experience or from the example they take from your behavior. Talk with your kids about saving. Explain to them that small amounts incurred today will add up to big bucks tomorrow. If an 8-year-old would put away

just one dollar a week, for instance, they can save over \$3,000 by the time they turn 16! That's a lot of money that can be used toward a big purchase, like their first car.

Ask your children if there's anything specific they'd like to save up for and help them set a reasonable time-frame for their goals. Then, try this fun craft to help get them started!

## **Sheep Bank**

Materials Needed:

- Empty coffee can
  - Sharp knife
  - Scissors
  - Markers
  - Pencil
  - Paint
- 2 wiggly eyes
- 4 egg carton cups
  - Hot glue gun
  - Elmer's glue
  - Cotton balls
- 1 sheet of white foam

## **Instructions:**

1. Remove the lid from the coffee can and spread Elmer's glue all over the outside of the can. Cover the can with cotton balls.
2. Paint the 4 egg carton cups and set them aside to dry.
3. Use the pencil to trace the lid in two places on the foam sheet. Cut out the circles.
4. Cut out two thin triangles from the remaining foam to be used for the sheep's ears.
5. Use hot glue to attach the ears and wiggly eyes to one foam circle. (Adult supervision suggested for hot glue use.)
6. Use the markers to draw the sheep's mouth, nose and freckles on the same foam sheet.
7. Attach the foam face to the lid by using hot glue.
8. Use the knife to cut a slit through the foam face and lid, on or near the mouth area. Make sure the slit is large enough for dollars and coins to easily pass through; this will serve as the money slot. (Adult supervision is suggested for this step.)
9. For the tail, glue a cotton ball to the second foam circle.

10. Use hot glue to attach the second foam circle to the back of the sheep.

11. Glue the four egg-carton cups to the bottom of the can so your sheep has legs.

Your sheep bank is now ready to gobble up your savings!

Start your child on their journey to savings by giving them some money to put into their new piggy bank's mouth. The more your child feeds their sheep, the bigger their savings will grow!

Variation: You can tweak small details on this craft to create nearly any animal bank. Just change the colors of the foam circles, and instead of covering the can with cotton, paint it the appropriate color, or glue on fake fur. Have fun personalizing and creating the perfect "piggy" bank!



## Conversation Cues

Use these conversation starters to help bring the lesson home:

- Why is it sometimes so hard to put money away for the future?
- Can you name something you'd like to save up for to have in 20 years? How about in 50 years?
- Can you estimate how much money you would have if you'd put away 30% of all the money you've ever received in your life?



## Lesson 6: How to Build a Budget

Though it's hard to believe it now, your little ones won't be young forever. Someday, they will be all grown up and have homes of their own. And while you can lecture them about budgeting, spending their allowances wisely and saving up for the occasional expensive item, running the finances of an entire household is a whole different ball game.



Short of actually putting your kids in charge of the family budget for a month, how can you teach them this crucial skill? This simple yet challenging activity will do just that.

### Materials Needed:

1. The following bills, all for one month's worth of payments:

- Household utilities
- Transportation-related bills, including car payments, insurance, auto loan payments, EZ pass bills, repairs and gas receipts
- Health insurance
- Cellphone
- Mortgage, including taxes and insurance
- Credit cards and any other monthly bills
- All grocery receipts
- Clothing, recreation and all other miscellaneous receipts
- Paycheck stubs (optional)
- Spreadsheet
- Writing materials
- Calculator
- Store circulars
- Piggy bank

## Instructions:

1. Present your child with all your bills and receipts from one month. If you don't have every receipt, give your child an estimate for all your monthly household expenses in the following areas: housing, utilities, health costs, food, transportation, clothing, recreation, etc.

Give your child all pay stubs from the same month. If you don't feel comfortable revealing exactly how much income you and your spouse earn, you can create a fake paycheck. Make sure, though, that the amount you provide is reasonable and sufficient to cover all expenses.

2. Tell your child you are challenging them to create a monthly budget. They must use the spreadsheet and materials given to tally up all expenses and income. They need to determine specific, practical amounts for groceries (drawn from the circulars) and all discretionary spending.



3. Offer bonus points for any money your child manages to allocate for the piggy bank.

4. Sit back and observe, withholding any advice or tips, as your child works out the budget.

Variation: If your child is a visual learner or too young to do this on paper, you can try this activity with props. Offer them a pile of play money that's equal to the income earned. Line up a row of empty shoe





boxes, each of which is labeled with another monthly expense, and have them place the amount he believes each category requires in the corresponding shoe box.

To make it even simpler, you can label the boxes for fixed expenses (utility bills, mortgage, insurance, etc.) with the amount they need each month. Your child only has to place the correct amount in those boxes and then divide up the rest among the fluctuating expenses to the best of their ability.

Can your child successfully create a family budget for



a month? Review the results aloud and make sure your budding economist included all categories. If your child was able to put any money away, you can reward them with a bonus on their allowance.

### **Conversation Cues**

Use these conversation starters to help bring the lesson home:

- Why is it so important for people to budget?
- Do you think people who budget feel more or less stressed about money?
- In your opinion, do wealthy people need to budget? Why, or why not?

## Lesson 7: Curbing Impulse Purchases

It's no secret that impulse buys can wreak havoc on even the most carefully constructed budget, but learning to curb those impulses is an ongoing struggle. Here's a strategy you can use to teach your kids that turning down those small impulses can mean saving big and allowing your money to grow.

Choose a store you and your child visit regularly. It can be Target, Walmart, the local grocery or even a dollar store, so long as it has its fair share of tempting impulse





purchases that your child usually begs for.

Before you set out, though, implement the following system:

- Give your child a designated amount of cash for a treat. The amount can be chosen at your discretion and can range anywhere from five bucks to just 50 cents. You don't have to do this every time you go to a store with your child; it can be just once a week or even once every two weeks.
- Tell your child that they are going to be in charge of purchasing their own treat this time, using the money they've been given.



- Here's the kicker: If your child doesn't spend all their allotted money at the store, you'll let them keep the cash and match the amount when you get home! And then they can do whatever they want with that money. They can choose to use it the next time you go to the store, add it to their savings or just put it away for a rainy day.

Make sure your child is clear on the idea that turning down an impulse purchase today means letting it grow into big bucks tomorrow.

The lesson in this trick is two-fold. First, your child is learning to use self-control. At the same time, though, they are discovering the basic principles of investing. How's that for one small trip to the grocery?

### **Conversation Cues**

Use these conversation starters to help bring the lesson home:

- Why is it so hard to say no to impulse buys?
- What are some preventive steps you can take before entering the store and finding temptation of impulse items in every aisle?



**Part II**

# **Financial Education for kids Ages 16+**





## Lesson 8: Emergency Funds

If your kid has been splitting their allowance into three different jars, they may have a jar for saving, one for spending and a third for giving. What most parents and kids omit, though, is one more jar for emergencies. Yes, emergencies, even for kids. Granted, they won't be shelling out thousands of dollars for a roof repair or a medical crisis like adults sometimes must, but emergencies come in all shapes and sizes, and to all-sized people.



Having funds for an unexpected expense is crucial to financial security. In fact, building an emergency fund is the first of Dave Ramsey's famous seven baby steps for getting out of debt. It's definitely something you want to build into your kids' psyche. So why not start now?

Some examples of small and not-so-small emergencies for teens include:

- The pair of new sneakers left in the locker room after PE, now gone forever
- The shattered car window from an eagerly thrown, but poorly aimed, baseball
- The huge data plan overage charge
- The misplaced spending money for an afternoon at the mall

So yes, kids have emergencies. Helping them set up a fund to pay for some of these mini-crises instead of bailing them out each time will teach them to be prepared.

Here's how to do it:

1. Help your teen add an extra jar to their existing set and mark it for emergencies.
2. With your child, create a goal for the new jar and decide on how much money your child will take from their weekly allowance to build their emergency fund.
3. Once the jar has hit its target, revert back to the original division of money among the other jars.

The next time your child has a financial emergency, have them pay for all or part of it. When the fund is depleted for an emergency, be sure to encourage them





to replenish it by going back to step two.

Remember; it's baby steps like these that will prevent your child from having to crawl their way out of debt later on in life.

### **Conversation Cues**

Use these conversation starters to help bring the lesson home:

- What can happen if someone who doesn't have an emergency fund?
- Can you think of three money emergencies you've had this past year?
- Why do you think some people never build an emergency fund?

## Lesson 9: Standing up to Peer Pressure

Though it's a force to be reckoned with throughout our lives, peer pressure is arguably the most in-your-face during the school years. Help your kids build up their defenses to its powers!

A great way to open the conversation for this topic is by watching a movie about peer pressure together with your teen, like *Tall Girl* or *Diary of a Wimpy Kid*. After the movie, talk about peer pressure and how challenging it can be to stand up to its power. Ask your teen to share



some examples of peer pressure from their own life.

Next, you can share some of your own past or present struggles with peer pressure. Show your teen some old photos of yourself to show how peer pressure can lead to ridiculous purchases and styles you would never choose on your own. Finally, share some tips on how to overcome peer pressure with confidence and self-discipline.

### **Conversation Cues**

Use these conversation starters to help bring the lesson home:

- Can you think of ways peer pressure exists for adults?
- Do you think more or less of someone who is always copying what everyone else is doing?
- Has anyone ever followed what you did, bought or wore? How did that make you feel?
- Who do you think is more confident, someone who copies what others do or someone who thinks for themselves?
- Can you think of some circumstances when peer pressure can be a positive thing?
- How do you think our lives would be different if we didn't care what other people thought about our choices?



## Lesson 10: Virtual Shopping Smarts

Did you know that 73% of millennials do all their shopping on their smartphones? It's not surprising, really. The world of commerce is constantly becoming more digitized as retailers focus on improving their online presence to cater to cyberspace shoppers.

Online shopping has its downsides, though. It's mainly in the form of unpleasant surprises when the item arrives, costly shipping expenses and impulse buys that are too easily made.

Fortunately, it has its upsides, too. Comparing prices between stores is a lot simpler when all it takes is clicking through a few sites instead of traipsing all over town. Also, couponing is now just a matter of seconds, with no need for tedious clipping and saving.

Sit down with your teen to brief them on the pros and cons of online shopping. Talk about comparing prices, checking for discount codes and being wary of overspending or buying items of inferior quality. Teach them about reading reviews and looking for reputable



companies. Mention comparison-shopping apps and websites like the PriceGrabber app, BuyVia.com, Shopzilla.com and the Shopbrain app.

When they have the information down pat, tell them they will now be tasked with buying an item online! The item should be something popular and one they're interested in.

Give your child a debit or credit card, a fixed budget for the item and the following instructions:

The goal is to purchase the lowest-priced, yet best-made product. This will earn a minimum of 100 points. They will earn points for each part of the process, using the following guidelines:

1. The purchase must be of decent quality. They can earn 25 points for this category.
2. Shipping costs should not constitute more than 10% of the object's price. The lower the shipping costs, the



more they earn for this category, with free shipping earning the full 15 points.

3. They must search for discount codes and coupons before making the purchase. This can be done by checking coupon sites like Retailmenot and Couponcabin, or by signing up for a store's emails and earning a promotional discount. Five points will be rewarded for every discount search/website visited in search of a coupon code. Actually finding and using a discount can earn them 15 points.

4. If your teen is ordering from eBay or another site with multiple sellers, they should be careful to only make purchases from sellers that have excellent ratings. Buying from a poorly rated seller can cost them 5 points and using a high-rated seller can earn them 5 points.

5. Price is of utmost importance. If their object is of decent quality and very well-priced, they can earn up to 40 points. Five points will be given for every search for a cheaper product.

6. Points will be taken off for any random ad-clicks, failure to do substantial price-checks and comparisons, and for ignoring discount offers.

7. Sit back and watch, being careful not to offer any advice as your teen makes a purchase.

8. Tally up the score and explain the points you gave, congratulating your teen on their online shopping skills.

Your child is now on the way to being cyberspace-savvy!

### **Conversation Cues**

Use these conversation starters to help bring the lesson home:

- Do you think people spend more or less money when shopping online?
- Do you think brick and mortar shops will still exist a century from now? Why or why not?
- Have you ever been unpleasantly surprised by an online purchase? Share your experience.





## Lesson 11: Banking for Beginners

When a child hits adolescence, they are generally mature and responsible enough to have their own checking account. Opening a youth account for your teenager at the credit union will prepare them for their own money management as adults, while giving their money a safe place to grow.

First, give your teenager a crash-course on banking basics. Cover the following pointers:

- A financial account at a bank or credit union serves as a safe place to keep your money.
- Some accounts will have a minimum required balance and some will have a maintenance fee. It's best to find out these details before opening your account.
- Some accounts, like savings accounts, are designed for growth and will offer a higher earnings rate, but with limited accessibility.
- Some accounts, like checking accounts, are designed for accessibility and will offer a modest interest rate, or none at all. They will generally allow you to access your funds via linked debit card, ATM withdrawal or paper

check.

- Most banks and credit unions now offer online banking and mobile access to accounts. This means you can check the balance in your account through an app or website on your phone.
- Your account details and debit card number are personal information that should never be shared with strangers online, on the phone or in person.

Next, bring your child to the credit union and open a youth account together. You can sponsor the initial deposit or have your teen use their own savings to fund the account.

Let your child experience the independence of having their own account and debit card. They'll learn invaluable life lessons like financial responsibility, money management skills and accountability.

## Conversation Cues

Use these conversation starters to help bring the lesson home:

- Can you name five reasons people keep their money in banks and credit unions?
- What are some things you would look for in a bank or credit union?
- Do you think people spend more with cash or a debit card? Explain your answer.

With the right lessons and the examples you provide, your child can build the skills today for a lifetime of financial wellness.

