Raising Financially Fit Kids

Personal Financial Management Standardized Curriculum - 2010

Raising Financially Fit Kids

MODULE DESCRIPTION

Raising Financially Fit Kids is a 90-minute interactive program designed for parents of children of all ages. Parents will explore their own financial habits and skills, and learn techniques to teach their children sound financial management skills.

At the heart of teaching children about money are the financial behaviors of the parents. This program assumes that parents are the primary teachers of their children when it comes to money. Therefore, the majority of the program focuses on the parents' financial skills, habits and values. If married couples are among the learners, have them work together on all of the activities. If there are single parents, put them in small groups. Remember that adults learn best when they are given the opportunity to engage in extended conversations about things that matter. Use the collective knowledge of the group to guide the session, especially if *you* are not a parent. Allow learners time to talk among themselves, comparing and sharing lessons learned, tips and challenges.

Be sure to have a lot of information regarding Fleet and Family Support Center (FFSC) programs, particularly parenting and financial education programs, and encourage attendance to additional sessions. If Internet is available in the training room, be prepared to show parents some of the sites on their resource handout.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to:

- Assess their current financial situation.
- Communicate effectively with family members about finances.
- Implement age-appropriate financial practices for their children.

Enabling:

- In the *Basic Assessment* activity, learners will discuss and identify financial values, skills and behaviors they would like to instill in their children.

Print Module

Print Module Handouts

- Using the *Financial Clarification of Values*, learners will rate their own financial communication skills and discuss ways to improve communication skills with their spouse and children.
- During the *Fiscal Fitness Report Card* activity, learners will assess their own financial behavior and habits and discuss the changes they would like to make to better prepare themselves to teach good financial skills to their children.

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MODULE PREPARATION

Handouts:

- *A Basic Assessment*
- *Your Fiscal Fitness Report Card*
- *Financial Values Clarification*
- *Cash Conversation*
- *Resources for Raising Financially Fit kids*
- *Financial Planning Worksheet* (optional)

Materials:

- *Raising Financially Fit Kids* PowerPoint slides
- Pens, pencils and markers
- Chart paper or newsprint

Summary:

Read through the summary section, choose the training technique you will use to conclude the program and prepare accordingly.

SUMMARY OF LEARNER ACTIVITIES

A Basic Assessment: Parents discuss different money habits and "design" a financially healthy child.

Your Fiscal Fitness Report Card: Parents give themselves a grade for their financial habits and skills.

Financial Values Clarification: A communication exercise for couples.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
   a. Agenda
2. Our Money, Ourselves: Taking a Hard Look at How You Manage Your Money (35 minutes)
   a. What's Your Relationship with Money?
   b. Learner Activity: *A Basic Assessment*
   c. Change Your Behavior
   d. Learner Activity: *Your Fiscal Fitness Report Card*
3. Let's Talk: Developing Effective Communication Skills (25 minutes)
   a. How We Talk to Each Other
   b. Learner Activity: *Financial Values Clarification*
   c. How We Talk to the Kids
   d. How the Kids Talk to Us
   e. How Kids Talk to Kids
   f. How Advertising Talks to All of Us
4. Growing the Financially Fit Child (20 minutes)
   a. You Can't Manage It if you Do not Have It: Allowances
   b. Saving, Spending and Sharing
   c. Kids' Budgeting
5. Foster a Love for Life-long Learning (5 minutes)
   a. Use Available Resources and Websites
   b. Summary

SLIDE 1

SLIDE 2

CONTENT

WELCOME AND INTRODUCTION

Agenda

Every parent desires to raise children who are healthy, happy and capable of managing life as an adult in an increasingly complex world. This complex world includes the world of money. How do our kids learn to manage money? At school? By watching TV? From their friends? By their own mistakes? From watching their parents manage their money? Most children learn from all of these places, but studies show that the single most important place where children learn about money is in the home and the most important teachers are their parents. Studies also show that the earlier children are introduced to the fundamentals of money and money management, the more financially fit they are as young adults. As with every other aspect of parenting, with the right information and a little commitment, parents can easily prepare their children to conquer the many financial challenges they will face as adults.

Sometimes it appears that the deck is stacked against parents when it comes to kids and money. Statistics show that 8- to 12-year olds spend $80 billion of their own money each year and influence more than $150 billion of their parents' spending. Companies spend more than $17 billion marketing to this age group. Clearly, the media have a tremendous influence on family life; 99 percent of U.S. homes have a television, 98 percent have radios and 69 percent have computers. It is hard to imagine life without these media and it is important to consider the messages they send. The messages educate, but what do they teach our children? Did you know that children younger than age 8 cannot distinguish between the truth and advertising?

Without adequate financial preparation, we run the risk of bringing up a generation that does not save, spends on wants rather than needs, has a destructive debt-to-income ratio and the highest bankruptcy rate of any generation before them. We are well on the way to accomplishing this, with a national average debt ratio of more than 20 percent and a savings rate less than 5 percent.

How have we let this happen? Part of the problem is that although there is financial education available, it is too little, too late. Most formal financial education available today (and it is a very limited availability) takes place in high school, and yet before children even get to kindergarten they have received thousands of indirect lessons about money by observing their parents at the bank, at the supermarket, at the mall and at home.

Children's understanding of money matters — even if what they know is wrong — may be too ingrained by the time they go to high school for financial classes to effect much change. In fact, research suggests children may be more receptive to learning financial concepts from 8 to 12 years old.

Since most personal-finance courses are given in high school, but kids learn better about money before the teen years, it is up to mom and dad to bridge the gap. But take heart, parents … with just four easy steps, a few tools and some resources, you can begin today to create a "money smart" home for your kids:

1. Explore your own money values and habits.
2. Develop effective communication skills.
3. Focus on the basics: allowances, saving and spending, and basic budgeting.
4. Create a love for lifelong learning.

SLIDE 3

OUR MONEY, OURSELVES: TAKING A HARD LOOK AT HOW YOU MANAGE YOUR MONEY

What's Your Relationship with Money?

The first step in raising financially fit children is to take a long, hard look at how you manage your own money and what money messages your management style sends to your children. What does money mean to you psychologically and emotionally? Is it something that scares you, so you try to avoid dealing with it? Is money a scorecard, a way of getting even? Is money a sedative? A stimulant? A weapon? A crutch? Spend some time thinking about these questions. In some cases, what money means to you is something that you do not want it to mean to your kids. If you grew up in a family in which your parents went through bankruptcy two or three times, or one of the parents was a compulsive gambler and they lost the house, then money can be a topic that is filled with frightening emotions.

SLIDE 4

Learner Activity: A Basic Assessment

Purpose: Learners will discuss and identify financial values, skills and behaviors that they would like to instill in their children.

Time: 15 minutes

Materials: *A Basic Assessment* handout, pens and pencils

Procedure: In this exercise, parents explore their good and bad habits with money, and then envision the "perfect" financial child. Each person can work individually, or you can use this exercise as an introductory exercise and have learners pair up. You could also have couples pair up with other couples. Each individual or group will write down what they have done right, what they wish they had done and mistakes they have made with their money.

A basic assessment: Start assessing your own money management skills and values by considering three things. First, think about what you have done right with your money that you hope to pass along to your children. Make a list of all of your successes and good habits, skills and values. Perhaps you have a budget, keep your debt down to a minimum, shop with a list and/or save regularly. Write down all the positive characteristics of your money management techniques.

Second, think about things you wish you had done with your money (up to this point in your life). What do you consider the "lost opportunities"? List all of these items. Items could include your wish that you had started to save sooner, that you had bought a less-expensive car, that you did not give in to your children so much, that you were not hooked into buying things because other people do, etc. Be honest and compose your wish list.

Third, honestly consider the mistakes you have made with your money. This would be the things you do not want your child to do, or mistakes you do not want them to make. This list could include not having a budget, not saving any money, spending on impulse, using money as a weapon, keeping up with the Joneses, etc. If you have a spouse, you should work on these three factors together and be as specific as possible.

The financially healthy child: The next step in growing a financially fit child is to envision what a financially fit child would look like; that is, what financial skills, values and behaviors do you believe make up a financially fit kid? In other words, when your child is an adult, how do you hope he or she will answer the questions you just answered in the basic assessment above? What traits, habits, values and behaviors do you think will help your child be financially successful? List as many as you can think of and feel free to make these characteristics age-specific. Feel free to jot down ideas as to how you can help your child become this person. This module will explore the major things you can do as a parent(s) to raise a financially healthy child.

When all have finished, ask for volunteers to read some of what they wrote. When all have had a chance to contribute, ask the individuals or groups to go back to the handout and complete the next section titled, "Characteristics of the Financially Healthy Child." Ask learners to look at what they wrote at the top of the form and use what they wrote to "design" the financially healthy child. What would that child act like? What habits and skills would they have? What financial values would they hold? When the groups have finished, ask for volunteers to present their "perfect" financial child. Keep track of answers on the board or newsprint; you will have the opportunity to refer back to this and reinforce these traits throughout the program. This exercise gives learners a chance to articulate the own mistakes and regrets, and also to build on their successes, using both to begin to envision the behaviors they would like to instill in their children.

Change Your Behavior

You may have heard the saying, "The plumber's drain is always clogged"? Well, put bluntly, if parents want to raise financially healthy children, they must exercise financial health in their own money management. The example you set is the best teacher. Assess your actual management skills and behavior by answering the questions in the next activity.

Learner Activity: Your Fiscal Fitness Report Card

Purpose: Parents give themselves a grade for their financial habits and skills.

Time: 5 minutes

Materials: *Your Fiscal Fitness Report Card* handout

Procedure: Give individuals or couples 5 or 10 minutes to complete the report card and give themselves a grade. Encourage discussion among couples and groups. When discussions are occurring, ask the groups leading questions. What type of budgeting system do you use? How are you investing right now? Are you in the TSP? Why did you choose that? Commend the parents for being honest and looking at what behaviors they may need to change and for considering new avenues to proceed. Assure them that there are many resources to help them and their children get on or stay on the right financial track. For those learners who do not currently have a budgeting system, offer them a copy of the *Financial Planning Worksheet* and invite them to visit their Command Financial Specialist (CFS) or FFSC financial educator.

These are the basic healthy habits of financially successful people. Interestingly, financial success is not about money, it is about behavior. How many of these successful behaviors do you practice? If you answered "no" to any of these questions, you need to spend some time getting your own financial house in order so you can provide a healthy habitat for the kids. Consider attending some of the financial classes offered at the Fleet and Family Support Center, or talk with your CFS about any of these topics. There are many professionals ready to help you with your money free of charge; you just have to ask. The best gift a parent can give to a child is financial stability, so ensure your own by taking action.

Now if you did answer "no" to any of the questions above, that does not mean you have to wait to work with your children. What a wonderful thing to bring them along for the ride while you improve your own financial management skills and teach them at the same time! The next section of this program shows you how to open the family up to the topic of money and to have healthy "money talk" at home.

SLIDE 5

LET'S TALK: DEVELOPING EFFECTIVE COMMUNICATION SKILLS

Did you know that 80 percent to 90 percent of all communication is nonverbal? What do your children "see" in your financial behavior? Do you as a parent spend a lot of money? Do you have to have the latest thing? Do you routinely overspend? Do you buy a new car every year? Do you give to charity? Do you invest? Do you shop with a list and use coupons? Do your children see you managing your money in a healthy and responsible way? Jon and Eileen Gallo, experts on children and money, talk about one mother who would go shopping with the kids. She would grab a handful of credit cards, give one to the clerk and say, "Let's see if the credit card gods are smiling on me." She would never know whether she had maxed out her credit cards or not! The other extreme is parents who are so frugal that it compromises how they live their lives. If you are overly frugal, kids grow up feeling deprived. Clearly our behavior speaks loudly to our children. If we demonstrate healthy financial behavior, which is a good thing, it seems we are not too good about actually *talking* about money. How do we hone our verbal communication skills and get a healthy financial dialogue going with the people in our family?

SLIDE 6

How We Talk to Each Other

"You balance the checkbook! I do not want to deal with it! You bought the big-screen TV, so I get a new car!" Spend some time exploring the way you talk to your spouse about money. A good way to start is by completing the *Financial Values Clarification* exercise. You and your spouse should complete this separately and then compare your answers. The completed form will give you an entrée into healthy financial discussions. Here are some suggestions on money conversations for couples from financial author and columnist Jean Chatzky.

- **Find a neutral time:** Do not wait to broach the subject until your spouse has charged up a storm on the credit card or another hot financial issue arises. The goal is to have a calm, relaxed discussion when there is no particular money issue at hand.
- **Give a little to get a little:** Volunteer your own feelings about a financial issue and it may encourage your partner to do the same. If your relationship is the first priority, you will both have to be willing to negotiate. Share your feelings, experiences and hopes about money. Discuss how your parents dealt with money, what it meant to you when you were growing up, and how you dealt with it in past relationships.
- **Know where you stand:** Be honest with yourself about how you feel. If you have always been independent, for example, it may be hard for you to be "taken care of" financially. If you have more assets than your partner, you may feel fear about risking your hard-earned money, or resentment if your partner's spending habits are not good. You have to be honest with yourself about these feelings to be honest with your partner.
- **Bring in a third party:** If you cannot seem to talk about finances, seek out a counselor to help you sort through your financial issues. This could be a financial counselor, a therapist or a marriage counselor.

Once you have a healthy financial dialogue going, decide ahead of time how you are going to pass on good money behaviors to your children. Make sure you agree on what methods and techniques you use before you engage your children.

Learner Activity: Financial Values Clarification

Purpose: A communication exercise for couples.

Time: 10 to 15 minutes

Materials: *Financial Values Clarification* handout, pens and pencils

Procedure: Have couples work together on this exercise, each filling out their own sheet. For those who are single, they can complete it on their own. If they have a partner at home, they should bring a copy for them to complete. When all have had a chance to complete the form, give them time to discuss and compare answers. For the singles, they can group together and discuss their answers. After 10 to 15 minutes, call the group back together and ask if there were any surprises in the exercise. Ask them what the exercise reveals about financial values. Ask them to rate their financial communication skills and look for suggestions on some ways to improve communication. This is also an excellent time to discuss needs versus wants. Explain that not only do they need to have good communication skills with their spouse, they need to have good communication skills with their children, and their children will learn best by observing their parents' behavior.

SLIDE 7

How We Talk to the Kids

"I do not have any money! I just gave you $20! Do your chores and you will get your allowance! Do not worry about it, Mom and Dad take care of the money! What I make is none of your business!" It is not always easy to talk with your kids about money. Some parents think that a conversation about money, and family finances in particular, is inappropriate to have with a child. But how else will they learn the life lessons and skills they need? By preparing yourself, you can have healthy and productive conversations quite naturally, and you can bet your children will be interested. Young people view managing money as a symbol of maturity and independence. Discussing personal finances with them shows that you expect them to behave appropriately with money, and that you see them as capable and responsible. To help ensure a successful conversation, keep these tips in mind, and tailor them to the age of your children.

- Approach the discussion with a positive attitude.
- Set a tone of confidence, openness and trust.
- Laughter always helps. Lighten the mood with a joke.
- Make the talk an equal exchange, not a lecture.
- Ask plenty of questions and listen carefully to the answers.
- Do not talk down to your child.

SLIDE 8

Trainer's note: Distribute the *Cash Conversation* handout to participants and explain that it shows various opportunities for starting up a conversation about money.

- Do not bring up old financial disagreements you may have had with your children.
- Make sure your kids know they can always turn to you for financial advice, information or help.

Look for everyday opportunities to slip in money lessons. If you pay with a credit card, explain to your child that the bill will be mailed to you and that if you do not pay in full, you will be charged more. Introduce the concept of taxes when garbage collectors pick up your trash, by explaining that you have to give money to the government to pay for those kinds of services. Allow younger children to count out change or carry coupons.

Be sure to keep your comments short; otherwise, your kid will just tune out the message. Be ready to talk about the tough topics. The Gallos remind us that parents need to answer questions that kids ask, even when the answer is not easy or comfortable. "Are we rich? How much did this house cost? Why can't I spend my allowance on anything I want? Why do not we take vacations to Europe every year? Why do not we buy a new car every year?" Kids ask questions about money, and parents should be able to answer them. Explore why they are asking the question. A great way to get financial conversations going with your kids is to involve them in some of your family's typical financial matters:

- Plan vacation budgets or major-purchase payment plans.
- Budget for groceries and other necessities.
- Clip and use coupons.
- Pay your family's monthly bills.
- Balance the checkbook against your monthly statement.
- Comparison shop for lower prices.
- Review your credit card statement together.

Finally, learn to use the phrase, "It's not in our budget." By using this phrase when your children ask for money, you are telling them that you have a plan in place and are going to stick to that plan.

SLIDE 9

How the Kids Talk to Us

"Mom, I need an iPod. You do not love me (if you do not get me this)! I'll be the only one without one!" In his book, *Money Still Does not Grow on Trees*, Neale Godfrey tells us that a child has to nag a parent nine times before the parent gives in and buys them what they want. In his opinion, this behavior is not about the tenaciousness of the child but about the guilt of the parent. "Giving in is all about guilt," he says, "but there is good guilt and bad guilt. "Good guilt gets your kids to come in at 11:00. Bad guilt convinces them that they're bad human beings if they forget your birthday." From this advice, we can draw several lessons:

- Parents, you need to get rid of the guilt. You have worked hard to attain whatever standard of living you have, and the kids have not. It is OK for you to say no to the children.
- Healthy guilt will help your child develop a healthy conscience.
- We can all use a lesson in the difference between needs and wants.
- Insist on a "no-nag zone," especially when you must shop with children.

SLIDE 10

How Kids Talk to Kids

"My Dad is having my party at the best club in town! My prom dress cost $2,000! I can't believe you're wearing those! We're poor! You do not have a cell phone?" As if it was not enough to worry about peer pressure when it comes to drugs, alcohol or smoking, now we need to consider financial peer pressure. "Check out my new Nikes! You're wearing *that*? You live where? Where did your parents get that car? Aren't you coming skiing with us? You're working this summer? Why?" Kids feel pressure in many areas of their lives, and certainly one of those is financial: how they use money, what they spend it on, etc.

Parents, arm yourself so you can battle these insidious external influences! Start by talking with your child:

- Listen with compassion and without judgment.
- Share your story. Show that you can identify with the pressures they may be feeling. Even as we grow older, peer pressure is not a phenom-

enon that fades away. It just shifts from bikes, video games and clothing to homes, cars and vacations.

- Do not back down from your values. Talk about your family money values and teach your children to stand up for them. It is OK to tell them, without condemning their friends, that in your family this is how you behave.
- Encourage the kids to hang out with "the right crowd" and to choose their friends wisely when it comes to attitudes about money. When they do, praise them for doing the right thing.
- Help young people understand the thousands of advertising messages and other influences to which they are exposed. Are their self-esteem, spending decisions and general wherewithal being affected as a result? An easy way to jumpstart the conversation is to try this exercise: For one day, have them keep track of every time they feel they are influenced by peer pressure or advertising as it applies to money decisions. In fact, this might be a good exercise for the whole family!

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How Advertising Talks to All of Us

Advertising in the United States is a $30 billion industry, with $12 billion of that targeted at the youth market. The average American child watches 40,000 commercials a year and, as mentioned earlier, a study by the American Psychological Association concluded that children younger than 8 cannot distinguish between truth and advertising, between a TV show and a TV commercial. Children as young as age 3 recognize brand logos, with brand loyalty influence starting at age 2. Children who watch a lot of television want more toys seen in advertisements and eat more advertised food than children who do not watch as much television.

In the past, the major way to sell children's products was through mom and dad. Now the opposite is true. Children are the focal point for intense advertising pressure seeking to influence billions of dollars of family spending. Advertisers are aware that children influence the purchase of not just kid's products anymore but everything in the household from cars to toothpaste. Thus these "adult" products are being paired with kid-oriented logos and images. With children's increased access to new communication technologies being paired with the fast pace and busy schedules of today's families, parents are less able to filter out the messages from the advertising world. Children themselves have been asked to assume more purchasing decisions than ever before. Marketing tools beyond the ever-present television have spread into many facets of children's lives:

- Magazines aimed at children have blossomed. Many of these magazines are kid versions of adult magazines. For instance, the popular *Sports Illustrated for Kids* carries ads for minivans.
- Promotional toys either tie in to cartoons, TV shows and movies or promote brand consciousness and loyalty.
- Cartoon and toy characters are used on all kinds of products, seeking to catch the children's eyes and purchases.
- Databases of child customers are being built from information gathered on Internet sign-ups and chat rooms, from electronic toy registries at stores like Toys"R"Us and from direct surveys.
- Advertising in schools: advertisers and marketers take advantage of severe budget shortfalls in schools to offer cash or products in return for advertising access to children.
- Channel One News: short news briefs are surrounded by commercials that children are forced to watch in schools.
- Promotional licensing of products aimed at kids which will include media pitches.
- Logos on all types of merchandise and everywhere children go.
- Children's radio networks are becoming popular.
- Children's toys carry product placements (e.g. Barbie™ dolls with Coca Cola™ accessories).
- Giveaway programs include promotional merchandise aimed at children (e.g., McDonald's™ Happy Meals).

SLIDE 12

How do we even begin to battle this kind of pressure to spend, spend, spend? Follow these suggestions:

- **Start young:** Talk to children about advertising from an early age, encouraging them to become active — not passive — consumers of commercial messages.

- **Explain how advertising works:** Talk about how the job of marketers is to play on human insecurities by creating ads that imply their products will improve our lives and bring us happiness. Have kids make a list of the good things in their lives (the things they value) and then make a list of the things they wish they could buy. Have them compare the "real life" list with the "wish" list. Do they think the things on the wish list will bring them happiness? If so, why?
- **Point out the tricks of the trade:** Explain that advertisers use many methods to get us to buy their products. Some common tricks of the trade include pulling on our heartstrings by drawing us into a story and making us feel good; using misleading words, such as "the taste of real…," "studies have shown" and "for a limited time only"; making exaggerated claims about a product; and using cartoon characters or celebrities to sell products or brand names.
- **Explain how marketers target young people:** Look for examples of how marketers try to build brand loyalty in young children. Talk about cross-marketing — show how the release of a new kids' movie is usually preceded by a huge marketing campaign involving tie-in toys, fast food, clothing and books. Explain how marketers target image-conscious pre-teens and teens with messages about being "cool" and attractive.
- **De-construct food advertising:** Most food advertising aimed at kids is for fast food, candy and pre-sweetened cereals. Point out misleading language in food commercials, such as a description of a sugary cereal that is "part of a nutritious breakfast" or "natural fruit roll-ups" that do not contain any fruit. Explain how food is prepared by special artists to look perfect in ads. Talk about how fast food restaurants use tie-ins with popular movies and TV shows to attract kids. Encourage your kids to challenge advertisers' claims about their products. Do your own blind taste tests at home or buy a product and compare its performance with the claims made in the commercial.
- **Talk about the value of money:** One of the most important lessons we can teach our children is how to be smart about money. Our consumer culture promotes spending over saving, so we have to counter that message on a regular basis by discussing purchasing decisions and money-management skills with kids.

SLIDE 13

- **Discuss how to be a wise and responsible consumer:** Show kids how to comparison shop, read reviews and investigate warranties. Talk about the effect of mass consumerism on the environment. Encourage them to think about ways they can cut down on buying non-essential consumer products.
- **Challenge your children's definition of "cool":** Ask them the following questions:
  - Do you ever feel bad about yourself for not owning something?
  - Have you ever felt that people might like you more if you owned a certain item?
  - Has an ad made you feel that you would like yourself more, or that others would like you more, if you owned the product the ad is selling?
  - Do you ever worry about your looks? Have you ever felt that people would like you more if your face, body, skin or hair looked different?
  - Has an ad ever made you feel that you would like yourself more, or others would like you more, if you changed your appearance with the product the ad was selling?
- **Encourage your family to watch non-commercial television:** Young children should watch mostly non-commercial television. When watching commercial stations, tape programs so that you can fast forward through the commercials.
- **Explain the effects of mass consumerism on the planet and society:** Talk about the effects of consumption on the planet and how the world's resources are distributed unevenly among the world's people. Make gifts whenever possible. Donate money, goods or time to environmental causes. Celebrate "Buy Nothing Day" in your home. Use it as a catalyst to talk about why we often buy things we do not need, and how we can become smarter consumers and better savers.
- **Encourage non-commercial values in your kids:** Try to spend more time with your kids, not more money on them. What kids really want and need is time with their parents, not more consumer goods. Explain that there are children, even in your own community, who do not have many toys. Donate your old toys to a local women's shelter or send

them to an aid agency so they can be shipped to refugee camps in developing countries.

- **Put shopping into perspective:** Explain that shopping should not be viewed as a hobby or pastime. It is something we do when we need to buy something and then we come home. Get your kids involved in other activities, so they have less time to hang around the mall.
- **Promote positive examples of advertising:** Draw their attention to fashion or food ads that promote positive body images.

GROWING THE FINANCIALLY FIT CHILD

As a parent, you have the opportunity to develop a learning environment that is suitable to your child's age and to do activities with them that will teach and/or reinforce healthy financial habits. Not all children advance through developmental stages at the same pace. So what might be appropriate to teach the average 8-year-old could be learned and practiced by your unique 6-year-old. Only you will be able to assess what money concepts and activities are appropriate for your child and determine if they are able to successfully put into practice what you teach them.

Keep in mind that you should start with the easier and fun tasks first to get your child interested. You want to keep your child excited about learning about money, since it is something they will have to manage their entire lives. Their first experience with it should be rewarding. As they grow and mature, you can make the activities more challenging.

Do not expect miracles overnight. Regardless of your child's age and development scale, good habits take a long time to develop. If you manage your expectations appropriately, then your child will have a better experience overall. There is no rush to learn everything in one day.

After you take care of your own financial health and begin to start a healthy dialogue about money with all of the people in your family, use specific, age-appropriate activities to teach your children about money. There are three major categories of information to discuss with your child, whatever their age. These are allowances, saving-spending-sharing and basic budgeting. After discussing these three major areas, age-specific

Trainer's note: Distribute the *Resources for Raising Financially Fit Kids* handout package. Explain that the package includes the tips and hints as well as the age-appropriate forms that you are about to discuss. Suggested resources are also included in the package.

activities will be presented for teaching about these fundamental areas of money management.

YOU CAN'T MANAGE IT IF YOU DO NOT HAVE IT: ALLOWANCES

One of the best ways to learn about money is to actually have to work with it. A major issue for parents is whether to give children an allowance or not, and how to administer the allowance: How much? At what age? Should the allowance be conditional, that is, given for some work or reason, or should it be unconditional?

Allowance or not? Allowances can be an excellent way to teach children about money. In fact, having a regular amount of their own income is the only way kids can learn to manage money. They need to make mistakes when the cost is minimal. Knowing the limit of available funds forces kids to think about how much things cost and to make spending choices between the many things that they may want. Ultimately, children will have more appreciation for the things they buy when they use their own money.

When to Start? Once your child shows both an interest in and an understanding of the concept of money — the fact that it can be exchanged for goods — they are ready to start learning the basics of money management. For many kids, this may be as young as 3 or 4. Their first allowance should be given at a minimum of once a week.

How Much? Deciding on the amount of allowance is a function of your family values, money available, what the child needs, the child's age and the "going rate."

- Determine how much money you already give them. If your kids do not get allowances, you are managing their money for them by deciding what they will buy and what they will do. Their role is salesperson and manipulator. Let them learn to manage their own money. Stop doing all of the work. Total up the amount you are giving them now. Give that to them as an allowance and let them make their own decisions. You'll save money and avoid some of life's major battles.

- Once you have the amount, sit down with your child and make a list of everything they are expected to pay for. This solves the conflicts that may come up in stores and as they walk out the door to go to the movies. The total required becomes their allowance. As their needs change, so can the amount. Be open to reviewing it when appropriate.

Keep in mind the fact that kids have three uses for their money — spending, saving and sharing. Consider all three areas when you are deciding on an amount for allowances. In addition to setting the allowance, this process puts an end to the constant requests to buy this and that and to give them money to do whatever their hearts desire.

Should allowances be tied to a behavior? The short answer is no.

The allowance-chore connection: Do not tie allowances to chores. Allowances teach money management; chores teach family responsibility. Use chores to capitalize on your child's natural industry — on their desire to help. Praise, hug and congratulate your child for doing chores well. Give your child a choice of chores and try to find at least a few fun and interesting chores.

The allowance-schoolwork connection: Do not pay for homework. Help your child do their homework by setting a family quiet time each day. Establish that schoolwork is important and a serious endeavor, but do not pay for good grades.

The allowance-love connection: Do not say to your child that you give them an allowance because you love them.

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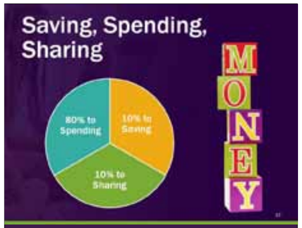
Additional allowance tips:

- Give at a specific time: Choose the beginning or the middle of the week.
- Make sure they have enough to save some.
- Increase the amount as they get older and have more needs.
- Clothing allowances help children learn to manage larger amounts of money.
- Negotiating raises teaches a valuable money management lesson.

Some problems you may encounter with allowances include your children running out of money before the next allowance is paid (more week than allowance), losing allowance money, lending allowance money to a friend who does not pay it back and/or saving all of it (never spending any money). Each of these problems presents parents with excellent learning opportunities. Help your children create solutions by getting all the facts, identifying the root cause of the problem, brainstorming and then picking a solution, and providing encouragement and financial assistance as appropriate.



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Saving, Spending and Sharing

Help children understand that there are multiple uses for money. An easy division is:

- Saving
- Spending
- Sharing

Start by showing your children how you save, how you spend and how you share. Set up a jar system for younger children — one for saving, one for spending and one for sharing. When giving allowances, give money that they can be easily divided up, that is, rather than giving a $5 bill, give five ones. Include a few dollars worth of change. For older kids, give them the opportunity to determine how much goes into each area or fund. For working children, help them manage their pay into these three areas, and take it further by helping them budget for more complex needs.

When setting up a saving/spending/sharing division of money with your children, discuss how much should go into each category. A suggested amount would be 10 percent into saving, 10 percent into sharing and the rest into spending. Help them set goals for their spending and saving dollars. As children get older, introduce them to different savings and investment products. For wage-earning children, talk to them about participating in retirement plans and/or opening an IRA.

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KIDS' BUDGETING

The rule for budgeting is "keep it simple." This applies to your children and to you! The saving/spending/sharing approach forms the foundation for a budget, but a true budget is some type of a written system (including software and online systems) that tracks what comes in and what goes out, and lists financial goals.

Age-appropriate techniques for introducing budgeting to children include:

Ages 3 to 5: As soon as children can count, introduce them to money. Take an active role in providing them with information. Observation and repetition are two important ways children learn. Talk about money and show them how much things cost. Have them start making choices about buying small items. Help them learn about coins, paper money and basic counting. Communicate with children as they grow about your values concerning money — how to save it, spend it wisely, and most importantly, how to make it grow. Help children learn the differences between needs, wants and wishes. This will prepare them for making good spending decisions in the future.

- **Resource:** Concepts for Parents of Toddlers and Preschoolers

Kindergarten through second grade: Introduce an allowance. Introduce them to the concept of saving/spending/sharing. Provide your children jars or envelopes, or have them make their own piggy banks. Give them money every week and help them to start setting short-term goals. Let them see you doing your own budgeting and bill-paying. Answer any questions they have about money in a short and concise way. Educate them on the power of advertising. Talk about peer pressure. Be positive and encouraging.

- **Resources:**
  - Setting an Allowance
  - Chart Your Savings
  - Coupon Savings
  - Vacation Budget

Trainer's note: If there are parents of toddlers and preschoolers in the class, ask them what type of events or activities in their normal life would present a good time to raise the concepts listed in this resource. For example, when talking about a parent working they can explain Concept 4. When their children see them donating money (church, scouts, etc.), they can mention Concept 16. When the mail is delivered or the garbage collected, they can talk about Concept 17.

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Third through sixth grade: Take a trip to the bank and help them open a checking account. Explain the power of interest and saving for the future. Think about setting up a savings-matching plan to help them achieve their goals quicker. If appropriate, continue using savings banks or jars for Saving/Spending/Sharing, and build on that by introducing them to a tracking system or basic budget. This can be as simple as a notebook listing "Income," "Expenses," and "Goals."

- **Resources:**
  - Setting Up a Matching Grant
  - Making a Shopping List
  - Gift Giving
  - Yearly Gifts

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Younger teens: Help them find paying odd jobs outside the home. Help them set long-range goals. Explain taxes and the law of supply and demand. If they do not already have a saving and checking account at the credit union or bank, take them to set one up. Help them learn to access their accounts online and teach them how to protect their identity. Talk to them about credit and the cost of borrowing money. Spend time exploring their life and recognizing how it is different from yours – how do kids communicate? What are they watching on TV and the Internet? What songs are they listening to? What clothes are they wearing? Show them your budget and financial goals as an example.

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Older teens: Help older teens develop more independence. Support their savings strategies. Help them assess job opportunities, standards of living and major life purchases. Show them financial planning software. Have a frank discussion about things people need to spend money on (food, shelter, clothing, transportation, insurance, etc.) and things people *want* to spend money on (eating out, expensive apartments and/or homes, name-brand clothing, fancy cars, etc.) Discuss the costs of college, what your family can realistically afford, and explore alternatives. Ensure that when they leave home they have the skills to function in the financial marketplace:

- They know how to budget.
- They have short- and long-term financial goals.
- They have savings and checking accounts.
- They know what the standard cost of living is — food, shelter, transportation, clothing expenses.
- If they have been employed, they have an IRA.
- They understand how compound interest and time works.
- They understand that money costs money and how to shop around for loans and credit.
- They know how to use an ATM, debit and check cards.

Resources:

- Setting up a Personal Budget
- Wants and Needs
- The Cost of Cool

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FOSTER A LOVE FOR LIFE-LONG LEARNING

Once again, you set the example for this critical part of raising financially fit children. Show your children that learning never ends and that it is important to keep up with the world of money. Read the financial pages of your local newspaper; there are often excellent articles on personal financial management. Subscribe to a financial magazine like *Money* or *Kiplinger's Personal Finance*. Visit websites geared to financial education — chances are your bank or credit union has an excellent one. Pick up a book on personal financial management from your local library. For every age and stage of your life, there is something new to learn.

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USE AVAILABLE RESOURCES AND WEBSITES

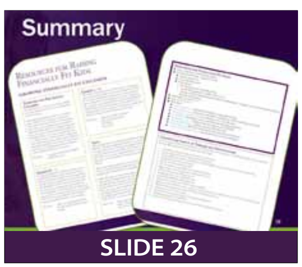
Military members and their families have many financial resources available for no cost. A great first stop is your Command Financial Specialist, who has special training to help you with every aspect of financial management. Check out the local Fleet and Family Support Center; they have financial and parent educators who can work with you one-on-one, or attend some of the great financial classes they offer:

- Developing Your Spending Plan
- Credit Management: Using Credit Wisely
- Saving and Investing
- Retirement Planning
- Consumer Awareness
- Paying for College
- Renting and Home Buying

Stop by your bank or credit union for resources and suggestions on working with children and money.

Websites

- It's a Habit (Sammy the Rabbit savings site for kids): <http://www.itsahabit.com>
- It All Adds Up (financial education website for middle and high schoolers) <http://www.italladdsup.org>
- Jump$tart Coalition for Personal Financial Literacy (excellent resources for all ages) <http://www.jumpstartcoalition.org>
- Federal government financial education: <http://www.kids.gov>
- Kids' Money (financial site for parents and children): <http://www.kidsmoney.org>
- The Mint (financial education for kids): <http://www.themint.org/>
- National Council for Economic Education: <http://www.councilforeconed.org/>
- PBS Kids (loaded with financial information): <http://www.pbskids.org>



SUMMARY

Trainer's Note: There are any number of ways to conclude this program. If time is short you can do a quick shape review. Draw a square, a circle, a triangle and a Z shape on the board or chart paper. Have learners choose a shape and state one thing that "squared" with what they already knew, one thing that completed a "circle" of thought they had, one thing they have been doing that they will try in a different way (from a new angle, the triangle), or one thing completely new that they will try (Z shape). Encourage and commend as appropriate, and thank all learners for participating in the training. If classroom Internet is available, you could demonstrate some of the websites listed on the handout. An excellent option is to play the *Do not Buy It* game on the pbskids.org website, which includes games for children that teach them to recognize advertisement placements. Not only would these games educate the parents, but they will get to see an excellent educational website in action.

Another great online option is the It All Adds Up website. Go to the *Budget Odyssey* game, which teaches about what income and fixed and variable expenses are, or choose another game. Remember two things when demonstrating games: 1) You must be completely prepared, so practice, and 2) even though you are demonstrating activities, chances are you will be educating the parents at the same time. Be sensitive to that reality and respond as appropriate.

Another possible option for ending the program is to have the parents commit in writing to their next step for growing a financially healthy child. Is their next step something that has to do with their own behavior? Do they need to work on improving their own "fiscal fitness" grade? Ask them specifically how they plan to accomplish that. Will they work on their financial communication? Start an allowance system? Introduce their children to some educational websites? Shut off the TV? Ask for specifics and get them to write their next step down on their handouts or a 3 x 5 card. You could even have them submit the goal to you in writing, along with their home address or e-mail. In 30 days, you could send it back to them, reminding them that they made this important commitment and you hope they are following through, wishing them well and offering any further assistance that FFSC can provide.