

From Toddler to Tycoon

Money is the most common stressor in America. So why aren't we teaching kids how to handle it? Time to break out the lesson plan, Pops.



HERE'S WHAT WE KNOW ABOUT KIDS WHO UNDERSTAND FINANCES: THEY TEND TO BE less materialistic, and they usually feel better about themselves. "We've seen young people's self-esteem increase by 6 percent after they were introduced to money concepts," says Tim Kasser, Ph.D., a professor of psychology at Knox College who studies materialistic values and goals. But only four states—Utah, Missouri, Tennessee, and Virginia—require kids to take a specific course in personal finance. It's up to you to teach them about spending and saving—and start early, says David Walsh, Ph.D., the author of *Smart Parenting, Smarter Kids*. "Money skills are a form of intelligence," he says. "And just like languages or critical thinking, they're best taught while your child's brain is developing."

AGES 3 TO 5

Show Them the Money

To teach your child that money doesn't appear magically in wallets, talk through your transactions as you make them, says Nathan Dungan, author of *Prodigal Sons and Material Girls*. And occasionally let the kid hand over the cash.

EXTRA CREDIT

Have your kids decorate three jars with the words "share," "save," and "spend," says Dungan. Then let them toss in spare coins and talk about ways to use them later.

AGES 12 AND UP

Put Your Kid to Work

Mowing lawns or babysitting not only teaches your kids their earning potential but also fosters self-esteem, says Walsh. Consider downsizing their allowance to provide an incentive to keep working.

EXTRA CREDIT

Put a job jar in the kitchen, says Dungan. When you need something done, write it on a scrap of paper along with what the job pays, and drop it in the jar. When Billy wants money, he'll know how to earn it.

AGES 6 TO 8

Give Them an Allowance

It shouldn't be too much, says Dungan—maybe a dollar per year of age. And as you hand over the dough, ask about their spending goals for the week. "Think of it as a little experiment in which your child can practice using money," says Dungan. And remember, mistakes help kids learn.

EXTRA CREDIT

Set up savings accounts with your kids. Go every month to make deposits, and have them fill out the slips, says Walsh.

AGE 16 AND UP

Teach Them to Keep a Budget

You don't want to bail your kids out every time they go on a spending spree, so make sure they know how to plan ahead, says Walsh. Start with pen and paper to teach the basics, says Dungan; then move to an app.

EXTRA CREDIT

Mint.com provides a simple, free budgeting tool that can link directly to your kid's debit card. Every month, sit down to discuss where money is coming from and how it will be divided among expenses.

AGES 9 TO 11

Build an Investment Portfolio

Kids in this age group are able to think beyond their immediate needs, says Walsh. So open an online investment account at a site like E*Trade or TD Ameritrade, and drop in a couple hundred bucks.

EXTRA CREDIT

Set them up in a few index and mutual funds and show them how to research fees and performance history. Then let them make decisions. Just make sure they understand that this is long-term savings.

OOPS, I MISSED SOME OF THESE MILESTONES!
Don't worry, it's never too late to play catch-up. Just run through the missed lessons quickly and then refer back to them often—refresher chats will reinforce the financial principles.
"It's like teaching an adult to swim," Dungan says. "You'd never toss someone straight into the deep end. You have to cover the basics first."

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