

Teaching kids about money, budgeting is valuable

Written by Holyoke Enterprise

Teaching children and teens how to stick to a budget not only can save you some green in the short-run, but can prove valuable in the long term.

“It’s a smart idea to teach kids responsible money management skills while they’re young and their finances are simple,” says Aaron Patzer, CEO of online personal finance service Mint.com. “With a solid foundation, they’ll be able to manage successfully as their money lives become more complex, adding rent and mortgage, insurance, taxes and other life expenses.”

Before leaving home, kids should be able to manage their own bank accounts and use credit cards responsibly. They should have experience tracking their spending and in setting and keeping to simple budgets. There are easy ways to introduce these concepts at any age:

—Start Early With Young Children: Small children should be taught to identify different bills and coins and their values. Teach them to count money and make change. Have them accompany you to the store, help pay the cashier and count change.

—Teach Grade Schoolers Money Responsibility: An allowance is a step toward teaching kids to be responsible with money. Grade school children should receive a regular allowance and pay for some of their own luxuries. This teaches them to prioritize and save money for goals -- whether in piggy banks or their first bank accounts.

—Have Kids Participate In Family Budgeting: Teach kids what a budget is, how much the family has to spend monthly, and how to allocate money for those expenses, while saving for longer-term goals. New tools now can make budgeting more interesting. Track the family’s budget using a free online budgeting service like Mint.com, which looks and works more like Facebook than Quicken or Microsoft Money software. These services automatically categorize your household expenses, presenting them in family-friendly charts and graphs.

Set individual budgets for everything for which you spend: groceries, gas, even vacations. Mint.com also provides suggestions on how to save money by switching from high interest credit cards, or putting your cash into a savings account or CD paying higher interest.

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For older children, the beginning of the school semester is a great time to get started, involving them in the decision making processes for purchasing school supplies.

—Teens Should Master Basic Banking Skills: During their adolescent years, kids should learn banking skills, such as opening checking and savings accounts, making deposits and withdrawals, and spending within their limits. Work with your teenager to create a basic budget that includes leisure activities, clothes, music, etc. Teach teens about credit cards by having them help you make a credit card purchase. Then involve them when it's time to pay the bill.

—Have College Kids Formalize Their Own Budgets: The typical student spends over ten thousand dollars yearly on tuition, room and board at a public college and more at private schools. Several thousand more goes to textbooks, supplies and entertainment. So how to keep them from emptying bank accounts within weeks of starting college? Help them set up budgets online on a service like Mint.com, which will send them text messages alerting them of bills due, credit limits, and bank fees. Some services even offer iPhone applications, so college students can stay in touch with their money wherever they may be.

“You don't have to be a financial whiz to teach children to make smart money,” says Patzer. “And the good news is, there are lots of new tools to help you teach them and that can even make money management more fun.”