



## HELP ME TEACH THE KIDS HOW TO SAVE

**Melbourne's Michelle Cooper has three kids (aged 11, 7 and 3) who have endless demands for toys, games and gadgets. She asks Adrian for help in teaching her kids to save.**

Most parents think that children are too young to understand the concept of money but you would be surprised just how much they take on board at such a young age just through watching you manage your day-to-day finances.

If you can instill the concept of savings early to children you can teach them important lessons that they will carry with them for the rest of their lives.

When I met Michelle she told me that her kids did not receive pocket money. I told her that the simple act of giving them a small amount of pocket money (we agreed on \$20 per week) can help them learn so much about managing their finances. All of a sudden they have an income stream and it allows the kids to practice spending, saving and budgeting and even teaching them how to be responsible with their money.

Just like riding a bike and falling down, losing money is an important lesson that they must go through in order to be more careful in future.

Like all of us, we need incentives, and kids need incentives especially when it comes to savings. I told Michelle to ask the two oldest (Lauren and Matthew) for some saving goals. Matthew wants a new bike whilst Lauren wants to get an iPod. So I got the two of them to start shopping around and looking for the price for these items and just by doing that we made them realise the importance of shopping around as prices varied by as much as 20%. I sat down with both of them and developed a budget towards saving up for these – they would need to put aside some pocket money each week if they wanted it.

We also needed to dangle a carrot for their savings plans. How would they feel if they got the opportunity to earn extra pocket money? I told Michelle not to fall into the trap of paying the kids extra doing their general chores around the house but rather reward them for tasks outside the day-to-day running of the household (like washing the car cleaning the windows, polishing the silver).

Finally we got the kids to open a savings account which pays 8% interest. It is important that they see that money can make more money by earning interest. And the more money they have, the more money can be made. I suggested to Michelle

that the kids put their birthday money in these accounts together with regular savings. By having it in a bank account it also makes it harder for them to access.

### **Nine golden rules to get the kids saving**

- **Savings account** – open up a small account for them and get them to put the birthday money into it. Teach them the benefits of interest and that “money can make money”. They can each earn up to \$2,667 pa before the taxman wants to tax them at 46.5%.
- **Pocket money** – it doesn’t need to be much. You just need to start getting them to learn about spending, saving and being responsible with money.
- **Help set some savings goals** – motivate them to want to save for a future purpose. Sometimes it’s good to get them involved in your own savings goals (eg house, car) so they can learn first hand from you.
- **Give extra opportunities to earn money** – if they really want that bike or iPod give them the chance to do extra chores around the place to save. Teaches them the value of hard work.
- **Take them shopping** – most parents think that this is the worst thing to do but it can actually be a great educational tool for them to see you shop around for bargains. Get them involved and ask them to look at the prices of items.
- **Savings chart** – get them to chart how much they are saving each week and help them visualize the benefits of saving.
- **Let them “fall off the bike”** – kids need to get the important lesson of losing money so that they appreciate it more in the future. Better to learn at a young age than later in life.
- **Show them the household budget** – show what bills are being paid and their cost and what money is coming in to pay for the bills. It helps give them a better idea of money management.
- **Simply say no** – when they put on a performance at the shops when they want something tell them that have to wait, save up and shop around before they can get it. Gets them out of the habit of ‘impulse purchases’.
- **Write down your savings goals** – if you want to buy Pink tickets then write it down on a piece of paper & put it on your bedroom door.
- **Shop around for the best price** – this can be fun. Go to different shops to find out the cheapest price for the item that you want to buy.

- **Open up a savings account** – get mum or dad to help you open up a bank account. Go to [www.cannex.com.au](http://www.cannex.com.au) to help you pick the best one for you. Try and put half of your pocket money in it each week.
- **Work out how long you must wait** – now that you have your saving goal & know how much you have to pay for it, use your calculator to find out how long before you can buy it.
- **Money makes money** – when you put your money in a bank account you get interest. The more money you have, the more money that you will make in interest. And the quicker that you can get your handbag.
- **Look for extra opportunities to earn money** – if you really want that CD or iPod ask mum and dad for the chance to do some extra chores around the place to save.
- **Make up a savings chart** – the best way to see how much you are saving each week is to create your very own savings chart. You will see how quickly that you are saving for those tickets.
- **Ask mum to see the household budget** – the best way to learn about money is to ask mum or dad to show what bills they have to pay and what money is coming in to pay for them. You might get some great saving tips from them.
- **Put a note in your purse** – to help stop you spending all your money put a note in your purse “I want to buy Pink tickets so do I really need to spend money now?”
- **Look online** – there are always some great bargains on the internet, especially on eBay. You get some great items that have hardly been used and nobody will know any different!