

“Out of the wall!”

Shaping your child's spending habits

Have you ever asked a young child where money comes from?

“Out of the wall of course!”

First and foremost, children learn through observation. They see us at the ATM and think there is an endless supply of money that can be accessed at any time. They see us whip out the credit card several times a day and they then form opinions that will shape their future spending habits.

In Australia more than half of 19 to 24 year olds have some form of consumer debt!

The key to teaching children about money and financial responsibility is to start early and talk often. Everyday life provides many learning opportunities.

A visit to the supermarket can be used to show your children how much or *how little* \$2 can buy. Opening the bills provides an opportunity to talk about payment for services, debt, loans and the cost of credit. As children grow older an insurance bill gives an opening to discuss the cost and benefits of insurance.

‘20% of young people with a credit card hardly ever OR NEVER pay the full balance every month.’

Budgeting

A key skill to teach children early in life is budgeting. Sit down and discuss what they would like to buy and then work

through how many weeks it will take to save for the item. Make sure you **let them decide** what they are going to buy. The more they own the process, the more committed they will be. Encourage them to do their budget in Excel or use one of the many smartphone apps if you think giving them time on the computer or app will help make it more interesting.

Pocket money and jobs

Earning money for helping around the house is a good way to reinforce the ‘payment for services’ lesson. Make sure the tasks you set are age appropriate, for example putting out the bins or unpacking the dishwasher, and the amount paid is modest - maybe \$1. If you are too generous the lessons will be lost as they will believe ‘money comes easily’.

As your children grow into teenagers, help them find a casual job. Managing their income and expenses is an important lesson. Try to avoid being their safety net – running out of money before pay day is an invaluable lesson on the importance of budgeting and managing their finances.

Did you know 76% of 10 to 17 year olds own a mobile phone and more than half pay for their own phone calls?

Money has become invisible

As shopping and banking move online and our everyday use of credit cards increases, money is becoming invisible.

To help your children understand money, try a few easy activities:

1. Ask them to pay for items when shopping and have them check the change is correct.
2. Send older children to the shops with a shopping list and a fixed amount of money.
3. Give them a fixed sum of money to spend during the school holidays.
4. Show them how to read household bills.

Savings accounts

There are many options available to set up high interest accounts for children. These accounts typically have low features, however in return they pay higher interest on small sums of money. As your children grow into teenagers, discuss transactional accounts, their needs and the trade-offs in terms of features versus interest.

Try and try again

The most important factor to realise is that becoming financially educated does not happen with one sit down conversation. It takes time, consistency and reinforcement for the lessons to be learned. Your kids are going to make mistakes along the way. Try not to get frustrated with them.

When they make mistakes, avoid being their safety net. Failure is their best opportunity to learn.



TrackMySPEND app

Help your kids stay on top of their spending with the TrackMySPEND smartphone app.



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