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Discussing Money and Finances With Your Child

Young children often have trouble understanding why they cannot have every toy they see at the store or online. However, around age 10 kids begin to comprehend that money is a limited resource. They can distinguish that some purchases are worth making in the short term, while others are worth saving for. This new level of awareness often brings discussions about allowance, chores and financial goals. Age 10-12 is an opportune time for parents to begin working on developing financial capability with kids.

Allowance

Parents often struggle with allowances. Giving spending money for small discretionary purchases can be a good way to teach basic budgeting and money management. For pre-teens weekly allowances generally range from \$5 to \$10, depending on what the child is expected to pay for out of their own pocket. It is important to be consistent:

- Set a standard day and time for allowances.
- Sporadic or fluctuating allowances make it hard for kids to know what to expect and how to plan.

Allowance in Practice

Some parents prefer that allowances be tied to certain chores as a lesson on working for 'income.' They may even use a chart to document that weekly jobs are getting done before any allowance is paid. Others pay an allowance and then charge 'fines' for failing to do chores or certain misbehaviors. Whatever model is chosen, the most important factor is being consistent.

Saving for a Goal

Adults who are successful in managing their own money share the ability to set and achieve long-term goals. In order to build those skills for adulthood, youth need to practice. Kids need to engage in a process of discussing and eventually writing down their personal financial goals, such as saving up to buy a "bigger" item. This creates an opportunity for parents to work with their child on creating a plan to achieve that goal. It can even be useful to work through some math, adding up how many weeks or months it will take to save up enough (and remembering to account for other regular purchases that might happen along the way!). Parents can talk about what happens when plans fail, as well as help children revise their goals as they learn more. The process of setting goals and making plans is critical in life – making this activity a great learning opportunity.

Interested in teaching your child about interest?

Here is an online calculator (<http://www.webmath.com/simpinterest.html>) that can show kids how much they will actually have to pay on a credit card balance over time. This is a great activity for older teens who may be interested in buying pricier items (e.g., a new gaming system). Showing them that credit isn't actual money but rather a "loan" that can be costly over time, can teach them about spending wisely given their expected or actual earnings.

Using Bank Accounts

Many banks and credit unions offer very low cost savings accounts (often called custodial accounts) for kids under 18. These accounts are in the young person's own name, along with their parent. Having an account, even one with a low balance, is another formative experience that parents can offer to kids ages 10-12. Going to the teller window, obtaining a statement and checking balances online can help kids learn about the benefits of financial institutions and even how interest works.

Understanding Adult Finances

Kids who receive spending money and practice budgeting and saving begin to establish their own sense of financial independence. Parents can also begin to share more of their personal financial lives with their kids. Simply revealing how much things cost—from groceries to movie tickets to vacations is one example. Another instance is to share long-term financial goals, such as retiring from work. It can also be useful to explain how income taxes work each spring, and even how sales taxes work using receipts from the store. While parents do not need to offer too much detail, they also should not 'hide' their financial lives from their kids. Children are interested in and can learn from their parent's experiences.

Upcoming Workshops to Reduce Family Stress:

- Positive Parenting
- Powerful Tools for Caregivers
- Mental Health First Aid
- Money Matters
- Aging Mastery

Call 920-388-7137 or email renee.koenig@wisc.edu for a workshop schedule.

Gifts and Charity

One last area of focus is charitable giving. Some parents will offer to match (1:1 or 1:2 or more) any financial contribution kids make to a charity or toward a gift for someone else. The more kids can be engaged in giving behaviors early in life, the better they can establish patterns of charity for a lifetime.

Charitable Giving in Action

Charitable giving and volunteering can promote prosocial behavior in adolescence. There are many ways to encourage youth to be prosocial while also supporting their growing independence. For example, rather than asking for gifts at a birthday party or certain holiday, you can encourage your child to ask guests to bring a donation for a specific organization. Teens can explore their identity and beliefs as they decide which charity is meaningful to them.

It's Not Too Early

Parents often feel anxiety about their own finances and often families make talking about money or money challenges a taboo. It is better to be open about finances, engage in money management with kids, and give kids opportunities to learn from their own experiences.

Adapted from author: J. Michael Collins, Economics Specialist for the Division of Extension and Professor at the La Follette School of Public Affairs at University of Wisconsin-Madison, he is also faculty director of the Center for Financial Security.




IS YOUR CHILD READY TO STAY HOME ALONE

Putting together a schedule of summer activities for your child can be a challenge. Like many parents, you might be trying to decide if it is safe to leave your school-age child home alone during the summer break. Your child might be ready to stay home alone if your child:

- is willing to stay alone
- acts responsibly and follows rules
- knows how to handle emergencies

UW-Madison Extension offers a free online video class called **Home Alone**. The lessons were developed to help you prepare your child for self-care.

Watch the videos together with your child at <https://fyi.extension.wisc.edu/homealone/>

**CONTACT RENEE KOENIG AT
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INFORMATION**



Wise & Well Wednesdays

Join us! Have fun, socialize, and connect with others while learning new hobbies, tools, and resources.

- ★ **June 8 – Gardening for Life**
Our Master Gardeners talk about what makes gardening an aging-friendly hobby and some benefits it can have for older gardeners. Learn ways to protect your joints and prevent aches and pains. You will also receive a "toolbox" of resources.
- ★ **June 22 – Discover Your Family History**
We will discuss family history, how to find out more about your family's past, and some reasons you might find it both fun and meaningful.
- ★ **July 13 – Celebrate Nature**
In this session, we will be inspired by nature and hear about how nature can help us see new possibilities in our own lives.
- ★ **July 27 – Declutter Your Home**
You will hear from three wise Extension Educators as they talk about the process of sorting through important paperwork and other "stuff" that has accumulated over the years.

Time: 9:00–10:00 am
Location: Kewaunee County Extension, 810 Lincoln St., Kewaunee

REGISTRATION REQUIRED: Contact Renee Koenig at 920-388-7137 or renee.koenig@wisc.edu

