

Teaching kids to be smart savers and spenders

Today, children are consumers and have a significant influence on the spending of their families. For instance, children in China influence two-thirds of their parents' and grandparents' spending patterns. North American research shows that children influence software buying 76% of the time and breakfast food 97% of the time. Children see and hear about the “coolest” food and the latest “must have” items through both traditional advertising channels and new ones like social media and product placement in music videos or movies. Consequently, brands and logos are recognized by children as young as three years old, which builds brand awareness and loyalty from a young age.

Not only do they influence their parents' spending choices, but some children also have their own money to spend, gathered through allowance, gifts and earnings. With household debt a growing concern for individuals and governments around the globe, it is becoming increasingly important for children to learn good money management skills and the consequences of debt – allowing them to control their money instead of their financial situation controlling them. So where to begin? The secret is to start early. Consider the following tips:

- **Bolster your child's defences against advertising.** Research shows that children under the age of eight are unable to critically understand television advertising. Take the time to discuss advertisements and commercials with your child. Help them to think critically about them. Does a paid celebrity endorsement really make the product better? What claims are being made or implied by the commercial? How might an ad use manipulation to get people to buy their product? Many parents may not know this, but advertising during children prime time has been banned in Sweden since 1991!
- **Teach children that money has to be earned.** Start young with age-appropriate chores and corresponding allowance, if you choose. Giving children an allowance for assisting with household responsibilities will teach them how to follow instructions and manage their time wisely. Even without an allowance, chores prepare children for later jobs outside the home and instill a work ethic that will help them excel throughout adulthood.
- **Encourage saving.** Have your children save at least 10 percent of the money they receive from allowances, gifts and work. Discuss the value of a small sacrifice today for a bigger reward tomorrow.
- **Go to the bank.** Take your children to your bank and have them open their own savings account. Every time they deposit money, they will see their savings grow. Let them withdraw money to purchase something they have been saving for. Allowing older children to withdraw small amounts via an automated teller machine will demonstrate the impact of bank charges on their bank balance!
- **Learning through trial and error.** Allow kids to spend their allowance or gift money as they wish. If they spend it all within a day, be firm and do not give in to pleas for more money. They will soon understand the concept of budgeting.

- **Discuss wants versus needs.** This is an important concept in our consumer society. Engage in discussion about your kids' desires and choices and ask them to think critically about what they want to spend their money on. Do they really need this product? Will they still like it tomorrow? Does it fit with the other things that they have? Will they need to spend more money to buy matching things? What would happen if they delayed purchasing the product or did not buy it at all?
- **Comparison shop.** Make financial management fun! Take children grocery shopping and have them find the cheapest items from the grocery list. When considering a larger purchase, such as a new bed, have an older child go online and source the best deal. Another fun tip is to have your children plan a meal for the family and budget for the groceries required.
- **Set an example.** Whenever possible, let your children see that you are also being a good money manager. After all, they look up to you as a role model! Share examples with them – times when you had to budget, comparison shop, save and take time considering major purchases. This will demonstrate that *all* family members need to be responsible when spending money, and that there are limits to everyone's budget.
- **Keep it light.** Be cautious of conveying your financial concerns to your children. They need to know that their parents can take care of them. Since kids do not have any power to affect family finances, demonstrating concern about finances will only set them up to worry, with no resolution in place.

The key is to help your children learn a good work ethic, know the difference between needs and wants, understand how to set limits, create a budget and save their money, so that over time, they will be able to reach their financial goals and make their dreams a reality.

If you have any questions about this topic, or if you wish to discuss a personal situation you may be experiencing, we invite you to contact your EAP. Contact details can be found on your EAP brochure or you can your local operator and request to place a collect call to Canada at 905-886-3605. You will be put in touch with our Care Access Centre who will arrange for help closer to home.