

Good Money Skills? Priceless

Over the past year and a half, Americans have had to relearn (or learn for the first time) many important lessons about money and finances. They're the same lessons that parents could – and should – be teaching their children.

When They're Little

The best way to introduce children to the world of money is to give them some. When you think your child is old enough to comprehend the basics, start providing a small allowance. Explain how much he or she will get and how often. Be sure to spell out the conditions, if there are any, such as how much should go into savings or what expenses your child will be expected to cover. Helping your son or daughter set a short-term goal that's easily achievable will boost your child's appreciation for saving.

Eight Through Twelve

If your child doesn't already have a savings account, go to the bank together to open one. Make a habit of praising your child's saving efforts (as *all* ages). Start introducing the concept of comparison shopping. However, allow your young consumer to make some mistakes. Sometimes, that's the best way to learn.

Kids often start wanting more money at this age. Encourage them to earn it by doing extra chores, babysitting, and helping with yard work. Your neighbors might be interested in "hiring" your child, too.

Teachable Teens

Teens in general have more expenses, so they need more money. Talk with your son or daughter about cash flow, about the allowance amount you plan to provide, and, if there's a shortfall, where the money will come from. Once your teen gets a "real" job, have a talk about taxes. This is an excellent time to explain credit, debit, and interest and introduce some investing basics.

Leaving Home

Before your teen leaves for college, ask him or her to come up with a budget. Review it carefully together and determine who will pay for what. Have a serious talk about credit cards, student loans, interest and fees. Failure to understand the cost of borrowing money could be a drag on your child's finances for a long time.

This article is being republished from the monthly newsletter, Client Line®, which is available free to you from Haworth & Company, Ltd.

Gary Haworth, CPA, is the owner of Haworth & Company, Ltd., a local CPA firm, and a member of the Small Business Resource Group, which helps small businesses with their bookkeeping & accounting, payroll, tax preparation and consulting needs. He started his practice over 20 years ago, growing from one person to now more than 30 employees and three locations. He can be reached at ghaworth@haworthco.com.