



Teaching our Kids to Save

Teaching our children good saving habits will benefit them for life. Learning to save not only builds the foundation for good money management; it also instills important principles of discipline, frugality, and responsibility that lead to success in other areas.

Start early. We can begin teaching our children how to save as soon as they are old enough to understand that money is used to purchase things like toys and food.

► The first lesson to teach is the relationship between money and work. Start with a small allowance and a list of small chores that must be completed before payment.

► Now sit down with your child and make a wish list of things he/she wants. Pick one that fits your budget and explain that you'll need to save money each week in order to have enough money to buy it later. Delayed gratification is very difficult for children, so set your target no more than a few weeks into the future to avoid frustration.

► Expect your child to struggle with the idea of saving money.

Use Visuals. Change the idea of saving from an abstraction into a concrete concept.

► Each allowance period, separate spending money and savings in front of your child.

► Place savings into a clear container and leave it in your child's room so she can see the coins pile up.

► Make a graph on a piece of construction paper and chart your progress.

Build Excitement

► Talk frequently about the big purchase you're planning together.

► Brag to others about your child's progress in front of him.

► Make a big deal of the purchase once you've reached your goal.

Give Your Child Control

► Within reasonable limits, allow your child to spend her remaining allowance how she sees fit.

► Provide matching funds for any amount your child saves above the mandatory minimum.

► Let your child handle the money in the store when making the purchase.

► As your child grows older, lengthen target dates for purchases. Dropping mandatory savings requirements while making your child responsible for paying for a coveted but nonessential item from his allowance will encourage responsibility.

► By middle school, your child is old enough to understand how to open and use a savings account. Start separating savings into short term goals of wants or needs, and long term goals such as saving for college.

► Encourage your child to rely less on you and more on entrepreneurialism to earn money. Suggest odd jobs that could be done around the neighborhood, and make sure he pays for his own business expenses like buying gas for the lawn mower if he mows the neighbor's yard.

► If your child has a job with earned income, begin putting a portion of earnings into a Roth IRA. Because this is retirement money that your child won't see for a long time, it's important to discuss investing and the power of compound interest. Try the compound interest calculator at moneychimp.com to demonstrate how saving and investing just a few thousand dollars a year can add up to big money over time.



Note: The financial content in this fact sheet is provided for general information only. It is not intended to be relied upon for your personal financial planning, and cannot substitute for professional financial advice. Always seek advice of a competent financial advisor with any questions you may have regarding a financial matter. Free telephonic consultation with a financial professional is part of your EAP benefit.

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