

12 expert tips to teach your kids about money!

Presenting an exclusive, expert article by Sanjay Gupta M.MS., CFP Certified CM Financial Planner and CEO of Mode Money Managers. More details below.

Parents, Children & Money – The delicate equation

“Money can make kids selfish and self-centered”

“Learning money management at any early age is wrong”

These and many such misconceptions are common, particularly in the Indian society.

Every day, reams of paper is spent on educating adults on saving for their children and securing their future – whether it’s to fulfill their educational aspirations, professional goals or other dreams, including organising a fancy wedding! Today, we will dwell on a bigger question (while not wasting any paper, given that this is an online portal!) -



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When it comes to educating our kids on finance, how soon is too soon?

Most families attempt to shelter their kids from “grown-up” realities about money. And in our attempt to protect our children from these realities, that range from the mundane to the harsh, we end up encouraging their ignorance about money and finance. For as long as possible, we do not allow them to manage money and too many kids these days are growing up without knowing the *worth* of money. Let’s be honest, most young adults are either entirely ignorant or walk around with half-baked knowledge; for many, the situation does not change until a financial catastrophe occurs. Besides, when kids don’t learn from authoritative sources like well-informed parents or experienced financial managers who can share information in a simple manner, they may end up gaining half-truths from unreliable and biased sources.

Best in everything else, why not financial awareness?

Parents always dream of the best education for their children . We want our children to excel in every field, be it studies, sports, music or dance or other activities. In this current competitive world, for a child to be successful, it is imperative that they have the financial knowledge and wisdom – nurtured at a formative stage. It is quite likely, that children who have learnt about money and finance early in life, would be better at managing their finance in the future. A child who knows how to handle his pocket money correctly and also how to save regularly, will be able to earn more and invest his finances efficiently in the future.

It's interesting here to touch upon the ancient education system in India. Education was imparted under Gurus (teachers) in Ashrams (Resident Schools). For the complete education term, the students used to work and in return they were imparted education. At the completion of the course , they had to pay guru dakshina (fees) from their earnings. Don't you think there's something amazingly wonderful about this process? It teaches children early on the value of earning, and also encourages them to value their education, since they work so hard for it.

No special curriculum at school, and at home, then where will they learn?

It is sad that the curriculum today does not teach even basic fundamental financial principles to children. There is a set, pre-defined syllabus with teachers struggling with over 40 to 50 children in one class to complete the portion on time. Parents too want their children to mug-up before the exams and become an academic topper. The whole system exploited eventually by tuitions and "extra classes". The end result is that children have to fend for themselves when it comes to practical issues like managing money and finance.

How to impart financial wisdom to children?

Kids today are smart, sharp and tech savvy. Hence teaching kids about money management is no rocket science. They observe, listen, learn, absorb quickly and grasp concepts easily, if parents spend quality time with them, especially with events and practical applications. Here are some basic steps that parents can take to help educate their kids about money:

1. Let children know about money from the day they learn numbers and count. Educate them with examples, visuals and games.
2. As they grow, their demands increase. So gradually teach them about the value of money. Tell them about the stories of your struggle and the difficulties you faced when you started early.
3. Teach them about savings and open a basic bank account for them to deposit their savings. Take them to the bank and involve them in filling up the slip books for deposit and not just for ATM withdrawals.
4. Children are the most soft and easy targets for brands to "catch them young". Teach them not to get influenced by adverts and peer pressure. Groom them to spend *wisely* and not *emotionally*. A rupee saved is a rupee earned.
5. A lot of demands made by children are not genuine. Teach them about the importance of any requirement – if it's a need or it's a want. Do not give in to undue buying pressure by children and learn to reason out with them.
6. As a parent, it is very easy to be impulsive and to give in to whatever is demanded by the child. But think before your buy as there may be items that are costly. Explain to them that a need is



Cute but not free! Photo by Mel E Mo via Flickr

fine, but greed isn't. Let the mind rule and not the heart before any buy.

7. For their every requirement, fix a budget and give them a choice. For example, if they want a pair of shoes, give them a budget of say 1000 and tell them that whatever they save they can keep it aside as their pocket money. Your kid will surely go for something less than the budget. And stick to the budget.

8. As children grow, start giving them allowances for monthly expenses. But keep a strict watch on how it is spend. Start small and not with a very big amount. Make them write the details of expenses every month. This way they will learn to control their expenses and if done correctly motivate them to save more.



Budget the cupcake intake! Photo by Funkyah via Flickr

9. Children are bound to ask questions about money. Do not ignore them. Answer all doubts until they are satisfied.

10. Sometimes borrow money from children to motivate them and repay back with some realistic interest amount. This will teach them about interest and investments and they will be encouraged to save more.

11. It is very vital that children should be allowed to experience loss and profit. Loss will increase their risk assessment ability and profit will motivate them for a better performance. In case the child suffers losses and gets dejected, you must motivate him. Cheer him and teach him to be careful in future.

12. When a kid is old enough to make a career decision, sit with him and hear him out with all due attention. Talk with him about the various earning opportunities in his field. Weigh the pros and cons of each and ask him to take a decision only after thinking about all the aspects.

This list can be never-ending as there is a science and art to parenting. We need to have both – the scientific insight and the creative flexibility for becoming the best parent we can for our children. Teaching children early about money, how to save and spend wisely will make them face the world with an added confidence, not just to manage finance but also achieve success in all their endeavours.

*Many thanks to Sanjay from the Money Chat team, for penning this wonderfully informative article. **While offering financial advise to a host of 'adult' clients from different backgrounds, Sanjay's special interest lies in imparting financial education to children, for whom he has devised a unique workshop series.** You can read all about his venture Kids For Finance, featured in [our post last week](#). You can also log onto his site <http://www.kidsfinance.net>*

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