

## Kids want to learn: Do you want to teach them?

by *Carrie\_Schwab\_Pomerantz*

It takes a lot for children to become successful adults. Some expertise they get from others, like the academic and intellectual skills they learn in school. Many lessons come from parents: good values, for example, and an awareness of dangerous substances and behaviors.

But according to a recent survey, commissioned by Charles Schwab & Co. in connection with April's National Financial Literacy Month, too many parents are dropping the ball when it comes to teaching their kids about money and personal finance.

The survey, titled "Parents & Money," revealed that parents recognize the importance of the subject and worry that their teenagers don't have a lot of knowledge or experience with money management. But few are actually doing anything about it - and, frankly, many parents are not great role models for their children when it comes to personal finance. As some statistical highlights demonstrate, the survey reveals a serious disconnect between what parents believe and what they do.

- Ninety-three percent of those surveyed worry that their kids could make serious financial mistakes, like living beyond their means, failing to stick to a budget, or racking up too much credit card debt. However, just 49 percent have taught their kids about budgeting; only 29 percent have instructed their kids about credit card management.

- Seventy-one percent believe the best way for teens to learn about money is from guided, hands-on experience, but just 20 percent have seriously involved their teens with their family's budgeting and spending decisions.

- Seventy-five percent of those surveyed believe they are good financial role models; however, 28 percent of those surveyed are not currently saving for their own retirement or their kid's college education.

- Ninety-seven percent feel it's important to teach their kids to save and invest for retirement, but a mere 19 percent have taught them about investing for growth. Only 14 percent have explained to what a 401(k) plan is to their kids.

In short: Too many of today's parents are not preaching the virtues of saving and investing, and they're not practicing them either.

This concerns and frustrates me. In order to deal successfully with life's enormous financial challenges, people need to know how to manage money and live within their means. They must understand the pros and cons of credit and debt as well as the basics of investing. And they must plan for retirement, the biggest challenge for virtually every American.

Now here's the good news - today's teens want to learn about money and finance. In a survey of teens Schwab conducted in 2007, 60 percent indicated that learning about topics, such as budgeting, saving and investing, was a "top priority."

So what should you do? How can you go about teaching your kids about personal finance?

As we launch into National Financial Literacy Month, here are seven ideas:

- Talk about it. Discussing household finances as a normal part of everyday life is a great way to get children involved with the practicalities of budgeting, saving and investing.
  
- Turn rites-of-passage into lessons for life. Milestones like a first job, a driver's license and a credit card represent excellent opportunities to talk about financial realities and pass along your own financial values and wisdom.
  
- Give your teen an allowance and some real financial responsibility. An allowance should be more than a way to provide your kids with pocket money; it can be an opportunity for them to practice budgeting, to cultivate the habit of saving and to make mistakes.
  
- Encourage them to get a job. One of the best ways for a teen to learn about the worlds of work and money is to take a part-time and/or summer job. Earning their own money gives teens a tremendous sense of accomplishment - having money allows them an opportunity to save and budget.
  
- Teach them about financial tools like checkbooks and credit cards. Just 30 percent of the survey's respondents said their teens had a savings or checking account. Open one for your kid. Give them a credit card (you can start with a very low credit limit) and teach them to use it responsibly. Consider establishing a small custodial account to give them hands-on experience with investing.
  
- Instill the saving habit. Saving money can be habit-forming so cultivate the idea with your teens to make it as automatic as brushing their teeth.

Some parents give their kids an incentive by matching a certain percentage of any voluntary savings. Help them formulate a mix of short-term and long-term goals, providing the savings process with objectives.

- Show them your money. Consider giving your teens a statement from a 401(k) plan or IRA account to make investing more concrete, and to teach them about the retirement challenge and investing basics.

Personal finance isn't rocket science, but most schools don't teach it - the burden on parents. Start the money conversation. Your teens will soak up the knowledge since they are interested in money. You'll get them started on the path to financial confidence and, ultimately, financial independence.

For more tips on teaching your kids about money, go to [www.schwabmoneywise.com](http://www.schwabmoneywise.com).

Carrie Schwab Pomerantz is Chief Strategist, Consumer Education, Charles Schwab & Co., Inc., Member SIPC. You can e-mail Carrie at [askcarrie@schwab.com](mailto:askcarrie@schwab.com).

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