Money Talks Guide for Parents

How to Teach your Kids about Spending, Saving, and Sharing Money

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Getting Started

Money lessons are everywhere. From the time they're walking and talking, your children's financial education is well underway. In fact, the money habits that guide financial decisions in adulthood are formed as early as age 7.[1]

Clearly, it's never too early to start teaching your children about money. It's also never too late.

So, where do you start?

Experts recommend candid parent-child conversations, starting with the basics when your child is a preschooler, and continuing with the introduction of more complex concepts as they progress through grade school, their teen years, and young adulthood.

What should you talk about?

Don't worry. We've got you. This Money Talks Guide for Parents outlines conversation topics – and shares ideas for activities – for each age group. Pair it with our Money Milestones Map to track your child's financial education journey.

Ages 3 – 6: Focus on dollars and sense

- As you shop for groceries or pay bills, talk about how money is exchanged to buy the things your family needs, like food, clothes, and housing.
- Find opportunities to highlight the difference between "needs" and "wants" and introduce the concept of only being able to spend the money you have. Demonstrate how you make choices – and how sometimes you have to wait and save to buy something you want.
- Talk about how money is earned through work and the different ways to use money. Demonstrate how you spend money on needs, save it for things you want, and share it to help others.

Action ideas

- **Count coins**

  Even though most of our transactions are cashless today, coins give kids a visual way to learn about money. As soon as your child has counting mastered (and they know not to put coins in their mouths!), give them coins to sort and count. As their counting skills advance, teach them about the different values – how it takes two nickels to equal a dime and 100 pennies to add up to one dollar.

- **Set up shop**

  Pretend shopping is a powerful way for preschoolers to learn about how money is exchanged for goods and services. Help your child set up a grocery store or restaurant. Then take turns being the buyer and seller and exchanging play money or coins for the items.

At age 5 or 6, ask your child to help you make buying decisions as you shop for groceries. For example, set an amount you want to spend on snacks for the week. Then, have them help you compare and select items online while staying within the budget.

>> **Spend, save, share**

Consider paying your child a small weekly allowance for basic chores starting around age 5 or 6. Along with helping to connect the concept of earning with money, a steady allowance helps kids see the value of saving.

From the beginning, help your child take a “Spend, Save, Share” approach. Create three jars and help your child allocate each week’s allowance into the spend, save, and share jars.

Now’s the time to open a Youth Savings Account with your child. Arizona Federal makes it easy with $0 required to open the account and $0 monthly service fees.

Help your child set a savings goal and make regular deposits from the Savings jar into a Youth Savings Account, where it will begin to earn dividends as soon as you have $25.

To learn more, visit *ArizonaFederal.org/Parents*

Make savings fun!

Ages 7 – 12: Budgeting and big stuff

- Involve your children in family budgeting and bill paying. Not only does this help them to understand what things cost, but they'll also see how you make trade-offs between wants, needs, and unexpected costs.
- Celebrate milestones like paying off a car or reaching a family savings goal. More importantly, talk about how you did it, such as cutting back on restaurant meals or forgoing fancy coffee drinks.
- Share the money lessons about saving, investing, and debt you've learned, including the ones you learned the hard way. For example, if you wish you had saved more for college or had to dig yourself out of debt, talk about it. Real, firsthand experiences are powerful. (Of course, you know your child best, so tailor the information you share accordingly.)
- For preteens, expand the "What do you want to be when you grow up?" conversations to include the types of summer jobs your child would like to have as he gets older, and what he can do now to prepare and save for longer-term career goals.

Action ideas

- **Get tracking**

  Keeping track of how much money you have, how much you need, and how much you spend is fundamental to financial literacy. For children in first through third grade, start with basic budget parameters. For example, when they need to buy a birthday gift for a friend, set an amount and shop with them to find something that fits the budget.

  As kids get older, help them learn the value of delayed gratification, which is the ability to postpone something fun (like buying a treat) in order to gain something that is even more fun or rewarding later (like saving up to buy a special toy). Write out specific savings goals and help them calculate how much allowance they'll need to accumulate to achieve the goal. (If it's a lofty goal, you may want to create a matching plan where you also contribute based on how much they save, so the goal is attainable within a reasonable amount of time.)

Work with your child to budget how much of their allowance will go toward the savings goal and then track how they actually spend their money. By tracking spending and saving against a plan, your child will see the impact of unplanned purchases or monetary gifts they receive from family and friends. You can even introduce the option of enabling them to do extra work to earn money above their set allowance.

Arizona Federal makes tracking easy with free mobile and online account access for Youth Savings accounts.

Make interest interesting

Earning dividends (also known as interest) is a powerful incentive, even to younger children. Teach them how it works with a game. Give your child a stack of quarters and have her toss one into a bowl. Then have her walk around the house for one minute and come back. Pretend a month has gone by, toss in her next deposit of one quarter, and then leave for another one-minute walk. During each of these walks, add pennies, nickels, and dimes to the bowl to represent dividends earned. Each time she returns, she'll see her money grow, and you can demonstrate how the amount of dividends paid increases as her total balance increases. At the end of the game, spend the money on a treat or deposit it in her Youth Savings Account.

Free online and mobile banking

Tracking savings progress is easy with free mobile and online banking.

Ages 13 – 17: Real-life money management

- Things are getting real. Once children become teenagers, it's time to let them put the financial concepts you've taught them into action. And, as difficult as it may be, you will have to step back and let them make decisions – and possibly mistakes. Offer guidance, ask questions, and be there to talk about the consequences of financial decisions, positive or negative.
- As your kids get their first paying jobs, continue to encourage the habits established when they were young, including allocating a portion of earnings to savings and sharing with others. Add a checking account to their savings account and talk about the purpose and importance of each. It's a big step, but it pays off. Research shows teens with checking accounts scored higher when tested on financial literacy.[2]
- As their earnings increase, they should also take responsibility for more of their expenses, such as entertainment, phone bills, or gas money. Map out a plan together for transitioning these costs over time.
- Real paychecks from real employers provide an opportunity for a conversation about taxes, deductions, and net vs. gross earnings. Talk through W-4 form options, what the different tax deductions are, and what to expect come tax time.

Action ideas

- **Add account-ability**

  Once your teen has a steady stream of income coming in from babysitting, dog walking, or a part-time job, it's time to take their money management skills to the next level by setting up a checking account. Arizona Federal's Teen Checking Plus Account pairs well with your child's Youth Savings Account, and offers $0 opening balance requirements and a $0 monthly service fee. In addition, your child gains access to their money through a Visa debit card that's also ready for digital payments through Venmo, Paypal, Square Cash, Apple Pay, or Google Pay. And, of course, they're able to write a check or make withdrawals or deposits via ATMs.

If you opt to be a joint owner on the account, you're able to monitor your teen's use of the account to offer guidance and help avoid fees or overspending.

» Save or consequences

Teenagers have a lot of "wants," like clothes or a new smartphone. They also have important long-term savings goals for things like a car or college. As their income expands, help them add complexity to their budgets. Sometimes it helps to have separate savings accounts for separate goals. For example, establish one Basic Savings account devoted to college savings and another for a car or a major purchase like a new phone. That way, tracking progress toward each is easy.

» Crunch the numbers on college costs

It's time to zero in on exactly what's next for your child after high school. If it's college, sit down and crunch the numbers together. The U.S. Department of Education offers a comprehensive College Scorecard resource designed to help your student compare college options. The information provided goes beyond costs to estimate post-graduation salary ranges and debt after graduation for each school and field of study.

(CollegeScorecard.ed.gov)

Card choices available with teen checking accounts

Ages 18 – 20: The facts about credit, debt, and savings

- With financial fundamentals in place, your teen is ready to move on to the post-high school chapter of their lives. And the chapter comes with lots of credit card offers! Review exactly how credit cards work. The best explanation? Buying something with a credit card is basically taking a loan that will need to be repaid. And, the longer it takes to pay the credit card balance, the more interest gets added on to the original amount.
- Talk through the importance of establishing a good credit score by paying credit card and other bills on time, keeping balances low, and not taking on more credit than needed. Credit ratings will help determine your child's ability to rent an apartment or buy a car down the road. Share your experiences – good or bad – with credit.
- Managing debt is a fact of life. Discuss when loans make sense and how to build repayments into ongoing budgets. It's always good to examine the financial impact of accelerating repayment by paying more than the minimum whenever there's "extra" money left over in the monthly budget.

Action ideas

- **Take some credit**

  Get your child started on the path to a strong credit rating with a secured credit card from Arizona Federal. The purpose of secured cards is to help ensure new credit cardholders don't spend more money than they can afford by securing it with a deposit, such as the deposits in your child's Arizona Federal accounts. More importantly, a secured card is in your child's name alone, so it helps establish a credit history. Starting out, the best advice to give your child is to buy a few things and pay the full balance every month.

» Keep giving back

Opting for a debit card tied to a local organization is an easy way to add a layer of giving. Arizona Federal offers debit cards that make a donation for every purchase made to the Arizona Humane Society or the 100 Club of Arizona, which supports first responders. Even the standard debit card helps support several area non-profit organizations.

» Lay down the millionaire challenge

Who doesn't love a good stretch goal? Young adults may not have a lot of money, but they do have the advantage of time. Open up an online calculator and play around with the numbers to highlight the power of compound interest. Starting young and consistently investing each month can add up to significant savings in 10, 20, or 30 years.

(Investor.gov/additional-resources/free-financial-planning-tools/compound-interest-calculator)

[1] "Habit Formation and Learning in Young Children," Cambridge University, 2013.
[2] "One easy way to boost your child's financial abilities," Kelli Grant, CNBC, 2017.

Arizona Federal is here to support your child's financial education journey.

To learn more, visit ArizonaFederal.org/Parents