



# ***FINANCIAL LITERACY***



## **Part 1: How to Teach Young Kids About Money**

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While April is Financial Literacy month, we think the topic is something people should be talking about every month. Teaching kids about money is one of the most important things we can do for our children. It is also one of the most difficult and uncomfortable topics for many parents.

How successful are we when it comes to teaching our kids about money? The short answer is not very. One clue is to look at the most recent generation that graduated into adulthood: millennials. Here, the picture isn't so bright. Nearly four out of five Americans ages 22 to 38 say they suffer from financial anxiety, according to a recent survey by the consulting firm Deloitte. And many admit they couldn't cope financially if they were hit with a large, unexpected bill.



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According to one study, almost 70% of college students cite their parents as the most influential resource on finance. Research also shows that some children's financial habits are set by age seven. With that in mind, it's essential that parents get a much earlier start instilling a better understanding and relationship with money. Even at a young age, there are plenty of important lessons to impart.

### **Teach Kids Every Penny Counts**

In a world where we seldomly use cash for payment, many children assume there is an endless supply of money on credit cards. We believe small coins can serve as a valuable tool to teach kids about money. While your kids are young, and when they're still fascinated with the shape and look of coins, teach them to respect all forms of money.

Get in the habit of playing games with young children using all types of coins, including pennies. Count the different size coins, making the distinction among them. Left to their own devices, they would likely believe a nickel and penny have more value than a dime because of their size. Something as simple as this will not only help reinforce math skills, but also teach the value of coins is not determined by size.

### **Start Saving at An Early Age**

Teaching kids how to save in the age of instant gratification is not easy, but it is necessary. We suggest bringing back the old-fashioned piggy bank, or better yet, a clear jar so that kids can see the money accumulate visually. If your child wants a toy that she does not have enough money for, tell her to save up for it. Then take her shopping and have her use her own money to pay for it.

Some choices that our children make with their money may not be the best, but there is value in making mistakes. If they spend all their money on one toy and see something later they want even more, maybe they will think twice before spending the next time. That is an important teachable moment.

### **Teach Kids About Wants Versus Needs**

We all know the old saying "money does not grow on trees," but it sometimes feels like our kids think it does. Teaching children the difference between wants versus needs is key to helping them understand the value of money.

Parents can start by sitting down with children and explaining how money is earned and is needed to cover necessities, such as food, housing, and clothing. The money leftover can be used for our wants, which are things we would like to have but are not necessary.

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### **Offer an Allowance**

Conventional wisdom says the best way to associate money with hard work is to start paying an allowance for household chores. This helps children understand that money is earned. It also provides them the opportunity to make choices with their money. Will they spend it right away, or will they choose to save it for something special? We see value in both scenarios as they can learn firsthand the consequences of their actions.

Seven out of 10 parents give their kids ages 4 to 14 a regular allowance, according to a recent survey by RoosterMoney, an app developer that helps teach kids about money. Typically, the amount is just shy of \$1 a week for every year of age. The idea is, if you link chores to receiving cash, kids soon realize that money is an outcome of hard work.

### **Talk to your kids about money**

Children learn from our behavior and how we handle our finances. Parents should use themselves as an example. By discussing

our money decisions, on both needs and wants, we help kids understand our values and recognize they have a choice on how to spend money. It is important to explain that while some people choose to buy fancy cars, others choose to spend their money on experiences, and others prefer to save.

**When is the best time to talk to your kids about money?**

The answer is simple. We need to start the conversation now. We believe it is never too early, and it is never too often, to talk about money with kids. Children model our behavior and we should do a better job of incorporating the concept into our daily lives. We can do this by taking our kids to the bank with us, teaching them how to clip and use coupons, or explaining why we write checks. All of these can serve as teaching moments for our children.

In our next installment of Financial Literacy Series, we will focus on **Teens and Money**.

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