

LEAVING A LEGACY OF GENEROSITY

As Christians, it is imperative that we teach our children about money. If we want our children to handle money in a God-honoring way, WE HAVE TO TEACH THEM. The world will not do this for us. In fact, the world will encourage them to handle money in a Me-honoring way. It's a recipe for financial disaster.

If your children are young enough not to have picked up bad money habits, you have a golden opportunity to get them started on the right foot. But if your children constantly pester you for money or have no concept of its value, you'd better ACT NOW.

Some of you may be thinking, "I can't do this. I'm not a teacher." Really? If you have kids, you're a teacher whether you like it or not. Or you may be thinking, "How am I supposed to teach when I'm not that good with money myself?" There's no better time to learn than the present. Besides, do you really want your kids to repeat your financial mistakes? Or perhaps you're thinking, "This sounds like a lot of time and energy that I just don't have." If you brought them into the world, parenting them is not optional. Remember, they will learn about money somehow. If you leave them to fend for themselves, don't be shocked if they handle it unwisely. Let's face it, handling money is a necessary life skill. And some day your child will leave home and have to make a living for themselves. (As much as you love your child, do you really want them living in your basement when they're thirty-five?)

So, let's start with six money skills your child must learn in order to handle money responsibly.

1. Tithing

To handle money in a God-honoring way means putting God first. If you personally tithe and give your child an allowance, you might think it's overkill to expect your child to tithe as well. But don't deprive them of the opportunity to show their appreciation to God for His gifts. Even very young children can grasp the concept of gratitude based giving. Allow them to put the money in a giving envelope or drop it in the offering receptacles. Be sure it's clear that the money is not going back into your pocket.

2. Budgeting

If your children have jobs or some source of income, it's time to teach them a simple budgeting system. You could start by showing them your household budget. Not only will this give them a good idea about budgets, it will show them how important it is to plan and know where each dollar is going. Let them create their own budget. It's especially helpful if they have a goal of purchasing something. Having a budget will help them keep track of their expenditures and plan how to save to reach their goal.

3. Saving

That old saying "You can't teach an old dog new tricks" isn't really true. It's just harder. The same is true with kids and money. The older they get, the harder it is for them to

learn to save because they've gotten used to buying what they want now. The key is to start teaching children as young as possible how to save. Again, don't fret if your children are in high school. Just start by identifying something they really want, something you might normally buy them, and explain they will have to save and buy it themselves. But then don't just turn and walk away. Go back with them to their budget and show them how to save and how long it will take. Keep it relatively inexpensive for the younger child, but the junior higher is mature enough to go without today to get something later.

4. Spending Wisely

The first thing children learn to do with money is spend it. It takes no time at all for them to learn how to exchange a quarter for some candy. But teaching them how to spend it *wisely* is the key. First, place limits on how much you give them. Even if you're someone with a disposable income or you feel guilty about the divorce, do your children this favor. It helps them understand that money has value and its supply is not endless. Second, give advice on how to spend smart. While the example you set for your children is highly important, don't assume that they will pick up wise spending habits just through observation. Make them aware of prices. Teach them about coupons, discounts, when sales usually are; that the same item may cost more or less in another store; and not to purchase on a whim.

5. Borrowing

We write a check here, swipe the credit card there, and barely give a thought to credit. It's simply a way of life these days. But kids need to know that magical card is not free money. Give them practical experience in borrowing so they come to understand if they borrow today, the money must be paid back at a later date. Sit down with them and show them on paper or with real money that if they make \$2.00 this week and borrow \$1.75, they will have \$3.75 to spend, but next week they will only have 25 cents left over after they pay back the \$1.75. Another hint? Don't let them start a borrowing pattern from siblings or future allowances. They need to learn that there won't always be someone to bail them out in the future.

WHEN AND HOW TO TEACH YOUR CHILDREN ABOUT MONEY

Birth To Three Years Old

Unless your child has an IQ of 200+ (and that's unlikely despite your belief that they are the greatest thing on earth), chances are trying to teach them about money will bore them and frustrate you. However, the concept of "No" is something they can grasp. And it's a concept they should encounter early and often. If your child reaches the age of four with a firm belief that they can get whatever they want from you (or the grandparents), you're already behind the eight-ball.

Four To Six Years Of Age

Children this age are beginning to make decisions for themselves (how many times have they said, “I do it myself”). But since they can’t think logically yet, keep your teaching simple. Start with basic introductions to bills and coins, their value and purpose. Then let them experience using money. For example, you may give your child \$1.00 at the Dollar Store. Explain that he/she can buy whatever they want with that \$1.00, but when it’s gone – there is no more. The first time you try this, your child will likely buy the first thing that catches their eye. Then, they’ll come to you for more. Don’t give in, even if they throw a tantrum in the middle of the store. Next time, they’ll be more thoughtful about what they want, the price, and how long what they purchase will last. Do not allow your child to view you as an endless source of cash. And don’t create the expectation that they will get money every time you go to the store.

Children of this age have very little concept of the future, so teaching them about saving may not be effective. They probably don’t connect putting coins in a piggy bank with what they can do with the money later. Money to them is usually something to be used now. However, this is a great time to teach them about giving first to God.

Seven To Twelve Years Of Age

Children this age are able to think more logically and systematically, but they still have their limitations. When explaining money, be as concrete as possible. Count with real money and do simple arithmetic to get your point across. If arithmetic isn’t your strong suit, use a calculator. Teach them how to make change. Give them opportunities to pay for gas, the movie, or ice cream. If you go out to dinner, let your child figure out the tip and pay the bill. (Skip this idea if you’re one of those people who doesn’t tip or only tips \$1.00 regardless of the size of the bill. This is about leaving a legacy of generosity, not stinginess.)

Depending on the maturity of your child, you may consider giving them an allowance. An allowance should be directly related to their responsibility as a member of the family. (More on this later.) In addition to giving first to God, begin teaching them the value of saving. For example, instead of buying an item that your child wants, give them an opportunity to save-up for it. Review their money coming in, the amount they choose to save, and the length of time it will take to accumulate the money for the purchase. This teaches them valuable lessons about delayed gratification, prioritizing wants and needs, budgeting, and self-discipline. Besides, your child will have a greater appreciation of that item because they have invested in it.

Twelve Years And Older

Children this age are capable of understanding anything you want to teach them about money. How you teach them will depend upon their maturity. Your best bet is to turn everyday experiences into learning opportunities. For example:

- The latest news story about the star athlete or entertainer who made millions but lost it all (budgeting)

- The fact that the vast majority of the world's population lives on less than \$2.00 per day (wants v. needs)
- Why a pay check isn't as much as your hourly wage X hours worked (taxes)
- How interest can work for or against you (investing/borrowing)
- The price of tennis shoes when you were growing-up v. now (inflation)
- The feeling of joy you get when you are financially positioned to help others in need (generosity)
- Why honoring God first makes perfect financial sense (tithing)

By the time your child gets their first job (preferably at some point during their high school years) the basic principles of tithing, budgeting, saving, spending wisely and borrowing should already be ingrained. But don't assume they get it. Talk to them about it.

ALLOWANCES

You've just walked in the house from a long day at work and Johnny rushes in and exclaims, "I need \$10.00 right now! We're going to the movies and I don't have any money!" But as you start to object, your precious child slam dunks you with, "But, Mrs. Smith and all my buddies are waiting outside in the car!" Gotcha!

At some point kids need money, and if you haven't decided ahead of time how you'll handle it when they confront you with their latest life-dependent need, you'll be on the spot to shell out the bucks. One way to handle it is to give an allowance. There are many ways to structure an allowance. You'll have to decide what works best for you and your family.

1. Paying For Work At Home

With this type of allowance kids earn money by doing jobs or chores at home. No work, no money. This type of allowance can help kids learn the value of work but it does have possible downsides:

- a. Since this type of allowance does not generate a reliable source of income, the child may not learn how to tithe, budget or save.
- b. While it may eliminate some begging, there may be times when the child needs immediate money and there's no time to complete a job.
- c. Also, it can foster an atmosphere of bribery and "what's in it for me." The parents find themselves saying, "If you don't clean your room, you won't get your allowance," or "I'll give you \$20.00 if you make straight As." Using money to influence behavior is problematic. It can teach your child that they only need to control their behavior when there's a pay-off. "You want me to do the dishes? How much am I getting paid?"

2. Allowance With Supervised Spending

The child receives an allowance with no strings attached. Failure to do required household chores is punished by some other method than withholding the allowance.

The parents supervise it in that they require the tithe and some portion for savings. The child is free to do what they want with the rest with parental oversight.

3. Allowance With Unsupervised Spending

Same as No. 2 above except that, after the tithe and savings, the child may spend the remainder without parental input.

4. Allowance With Responsibilities

Same as No. 2 above except that, in addition to the allowance, the child is required to complete certain chores or responsibilities due to the fact that the child is part of the family. These chores or responsibilities are not paid for – they are an expected contribution from the child as a family member. Just as Dad and Mom contribute to the family through work, cooking, cleaning, etc., Johnny has responsibilities like feeding the dog or washing the dishes. The idea is to teach your child not just to be responsible because he's getting paid. It's simply part of the privilege of being a family member. Create a list of jobs separate from their family responsibilities that they can do for pay.

ALLOWANCE RULES

1. When the allowance is started, explain it to the child so they clearly understand how it will work.
2. Be crystal clear about the amount and that tithing and saving come first. Help them set up a savings account and be clear about what it can be used for, e.g. college, car, etc.
3. Give the allowance on the same day of the week or month (depending on how often you decide to give it).
4. After the allowance is given, NEVER give them more money. Once it's spent, it's gone until the next payday.
5. Don't use the allowance as a form of discipline or punishment.
6. On your child's birthday hold an annual allowance review. Set the allowance and the responsibilities for the upcoming year as these may shift with age.

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