

K-State Research and Extension Southwind District
Family Consumer Science News Column
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How to Develop Money Sense in Children

In many families, money matters are something not to be discussed. Children often learn how to manage money by watching those around them. Parents can help children develop money sense by providing them with opportunities to manage their own money while still young.

Here are some ways to increase your children's sense in handling money:

- 1) Give them the opportunity to manage an allowance. Children as young as five years old can learn how to manage money. Allowances are a means for teaching money management. Children should learn not to spend all of their allowance each week. Discuss saving for a future purchase or for future needs. A younger child may be interested in a toy which is not yet on the market or may require additional savings to purchase. An older child may be considering long-term needs such as when they go to college, work, or travel.
- 2) Encourage them to work. Once children reach preteen years, there are many opportunities to earn their own money. When children see the effort, it takes to make money, it is easier for them to know the real cost of spending.
- 3) Set reasonable limits. Children should be given age-appropriate limits for spending in various categories and should be required to save a portion of their money.
- 4) Teach them to make good choices. The dollar amounts and areas of discretionary spending should increase as the child matures. A seven-year-old might be allowed to spend a portion of their own money on toys, snacks, and gifts to charity. A fourteen-year-old might be allowed to buy meals, clothing, and games, as well. Ask the child to consider the value of the purchase from both a short-term and long-term perspective to evaluate their options and ultimate choice. Demonstrate and encourage comparison shopping for the best price.
- 5) Help them learn patience. Children should have independence over at least some of their own money. But the remainder, perhaps half, should be saved.
- 6) Talk about family finances with children. Children need to see that parents must work at managing the family finances. They should know what it costs to raise a family and to make ends meet.
- 7) Practice what you preach, serve as a role model. Children learn more from what they see than what they are told. Save money yourself, and tell your children that saving means that you can't always have something right away. Teach by example; avoid impulse buying.

For more information, tips, and conversation starters, visit Money as You Grow: Help for parents and caregivers at consumerfinance.gov/consumer-tools/money-as-you-grow/.

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