

## Teaching kids the value of money

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Every parent, including myself, wants their child to be financially independent in their adult years.

So it was with some interest that I read recently that the **government has been urged** to add financial literacy to the national curriculum as part of the Financial System Inquiry.

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While teaching financial literacy in schools is important, one thing parents can do immediately is to start teaching their kids about money at home. But when it comes to teaching kids about money, many parents avoid it, or get it wrong.

What should parents teach about money early on so that their kids don't have to rely on them for financial support when they're older?

### Teach your kids where money comes from

Start talking to your kids about money from a young age. Start by asking them, "Where does money come from?". Remember, kids these days live in a cashless society, so the sooner they understand how money comes into your household the better. Teach your kids that money doesn't magically appear; it's paid through your work.

### Let your kids handle money

Don't wait until they get their first payslip. Start giving your kids pocket money while they are at primary school. Give them two empty jars – one for saving and one for giving. How much you give them depends on what you can afford. If you are still unsure, start by giving them a weekly amount that is equal to their age. This makes it fun and easy for the kids to remember.

Explain to them that they are receiving pocket money because you believe they are old enough to start being responsible for their own money. Let your kids decide how they want to spend their pocket money. Encourage them to make decisions and allow them to make mistakes when the stakes are low.

## Teach your kids to save

Ask your kids what they want to save for and stick a picture of their goal where they will see it regularly, such as their bedroom wall. As the weeks pass by you should find that your kids will start to make better spending decisions, knowing that what they don't spend will help them achieve that goal.

## Teach your kids to save for their future

Once your kids have successfully saved for a goal, start teaching them to put 20 per cent of their pocket money away in a separate jar called 'for my future'. This habit will teach your kids the importance of paying themselves first. As they get older, this habit will help them establish an emergency fund and eventually a deposit for a house.

Trying to explain to your eight year-old that this money will come in handy when buying a house will be tricky – all they are interested in is saving up for an iPod or a pet dog. Instead, tell them that they are saving that money so that they can buy what they need when they are adults.



**Robert Bihar, finance analyst and youth financial literacy mentor**

Robert Bihar is a finance analyst who specialises in teaching parents how to improve the financial IQ of their children. He is the author of *Don't Eat The Marshmallow; The Fun and Easy Way to Teach Your Kids About Money*, which outlines seven tips for parents wanting to educate their children about money. Having previously worked for General Motors Holden, Target Australia and Alcoa, Robert has transferred his experience from the big boys to the little boys (and girls), giving parents the chance to improve their children's financial IQ, and providing them with their own sense of independence and achievement.

*Don't Eat The Marshmallow; The Fun and Easy Way to Teach Your Kids About Money* (RRP \$19.95) is available from [www.robertbihar.com](http://www.robertbihar.com)