

Want a Little Help With Your Kids?

That would be great, Budget Guy! Can you babysit this coming Friday?

Sorry, no. I have enough kids at my house to take care of. But I can help you teach your kids about money. You don't want them to learn about it on the streets, do you?

What? No...huh? I don't get it. What's there to learn about money? You get it, you spend it...it ain't rocket science.

Hmmm... I'd hate to see your credit card bills! Look, the average college student is graduating with \$2,000 to \$3,000 in credit card debt, and several times that in student loan debt. Many of them think they can charge whatever they want because the credit card companies wouldn't let them spend too much, would they? And some even think that as long as they have checks in their checkbooks, there must be money in their accounts! Don't you think they could all benefit from a little financial education?

I suppose so. But where do you start?

You can start the next time your kid says "I want it!" and you tell them "No." Don't follow up with "...we can't afford it" or "...we don't have enough money." Your kid knows you didn't suddenly run out of money - he sees the other things you're buying.

The truth is, you can afford it...you do have enough money...to buy what he wants. But it would mean that there would be something else you couldn't buy like maybe the new pants he really needs as soon as possible or the college education he'll need in ten years.

So don't let him grow up and think there's some kind of "afford fairy" that tells grown-ups whether or not they can buy something. Let him begin to see that money is limited and you're making choices about the best way to use it. That will lay the groundwork for the choices he will have to make when he is older.

Well that makes sense. What else can I do?

Here's a way to deal with those "I-gotta-have-this-all-the-other-kids-have-one-but-I-don't-have-enough-money-so-if-you'll-just-let-me-get-this-I'll-pay-you-back-when-I-get-my-next-allowance" situations. Simply loan her the money and charge her interest.

Suppose, for example, that what your daughter wants costs \$2.98. It will come to a little over \$3.00 with tax, so you offer to lend her \$3.50 until allowance day provided she pays you back \$4.00 (use round numbers to keep the math simple). If she accepts, you give her \$3.50, she buys the "gotta have" and keeps the change. On allowance day, you give her the full amount of her allowance and she turns around and hands \$4.00 back to you.

Train up a child in the way he should go and when he is old he will not depart from it.
— Proverbs 22:6

That's pretty nifty! She starts learning about how loans work and how they make something cost more. And it even turns a "no" into a "yes!" Give me more, BG.

Look for ways to give your child more opportunities to make financial decisions where he will bear direct responsibility for those decisions. A great place to do this is when your kid wants a cell phone.

Your first thought probably will be to add a phone for them onto your existing plan. For just \$10 a month, it seems like a no-brainer. Then the first bill comes in and there are charges for extra minutes, ringtones, a slew of text messages, a couple of downloaded games, plus extra taxes, fees, surcharges, etc., etc., etc. Congratulations! Your cell phone bill has just become a major pain in the derriere, and a sore spot between you and your son.

Try this instead. If you son wants a cell phone, point him to one of the pre-paid phone services and tell him he can have whatever phone he wants as long as he pays for it. He wants a picture phone that doubles as an MP3 player? Fine - he pays for it. He

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downloads a bunch of ringtones, sends a bunch of text messages, and runs out of time in two days? Fine - when it's gone, the phone's dead until he's able to buy more time.

It's amazing how quickly a kid will become responsible about his cell phone usage when he's paying the bill!

But I need my child to have a cell phone so we can keep in touch when I'm not home. What if he's out of time on his phone?

Give him a limited use phone - one that can only be used to call three or four phone numbers which you program into it. Might be your home, cell and work phone numbers, for example. You pay for this phone, and your kid pays for his "recreational" phone.

Two cell phones seems silly, but as I think about it, I can see how paying for their own cell phone will be a very valuable lesson for our child. But what about credit cards?

Now there's probably the single most important financial lesson you can give your child - how to use credit wisely. But you have to build up to it.

Start with a checking account so your child can learn how to track money. Once she is balancing her checkbook regularly, then get her a debit card. When she's managing her debit card well, then get her a credit card.

It should be her own credit card (secured or unsecured), not just an extra card under one of your accounts. You don't want her charges mixed in with yours, and you want her paying the bill (from her checking account) and learning to pay it on time and in full. If she doesn't, make her pay any late fees, finance charges, over limit fees, etc.

Credit card companies are happy to issue cards to minors (provided, of course, that the parents sign for the account and have ultimate responsibility for it). In fact, card companies are actively trying to get cards into the hands of

minors - all the more reason for you to make sure your child knows how to use credit wisely.

As part of this whole process, make your child responsible for increasingly larger amounts of money over increasingly longer time periods. Depending on when you feel your child is ready, you might give her enough money on Monday for all of her school lunches for the week. Or you might give your high school student a clothing allowance intended to cover them for the next six months.

I don't know, BG...some of this sounds pretty risky. I can see some bad decisions being made.

Count on it. In fact, hope for it. That's how your child will learn. Whatever you do, just don't cave in and bail them out. They won't starve if they run out of lunch money before Friday; they won't go naked if they spend their clothing allowance on jewelry instead of jeans. They will learn to make better decisions in the future.

That makes sense. But you're almost out of space, BG – any final thoughts?

Yup - walk the talk. Actions speak louder than words, and your child learns most by watching what you do. Balance your checkbook when your son balances his. Review your credit card statement and pay the bill when your daughter does hers. Let your kids hear you and your spouse deciding whether or not to get a new car this year, how much to spend on it when you do, and how you will pay for it.

Let your kids see good financial habits in action!

Part of my job at SHPC is to help people get out of debt and manage their finances better. It's free and it's confidential. Just call the Budget Guy, Allen Gunter, at 292-4035 or send an email to BudgetGuy@shpc.org. And for a great Bible study, check out the Crown Financial Ministries Small Study Groups – see the article on page 11, or call Margaret Fetty at 288-9034 for more info.



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