

## **PARENTS, CHILDREN AND MONEY**

Money is an integral part of modern living and children who grow up understanding money will have a real advantage in life. It is up to parents to teach their children about money and this should start at an early age, as our values around money are established at a very young age. So it is important to start teaching your children good money habits from the moment they can speak because it will be nearly impossible for them to change these habits when they are parents themselves.

### **What you *need* vs. what you *want***

We need to assist children to understand that their financial resources will always be limited. Very often parents try to give their children everything they want, especially with high demand items such as smartphones and tickets to the latest music concerts. Use your children's demands for these items as an opportunity for a money lesson. If they want a smartphone, help them to figure out how to earn and save enough money to buy one rather than just buying one for them. This should include doing extra chores at home to earn additional money; this establishes the principle of extra work leading to more money. In addition, you could help them to open a savings account where this money can earn interest until they have sufficient funds to buy the phone they want. You might even teach them how to start a small business to earn money to buy the things they want. The lessons involved are numerous: marketing, negotiating prices, scheduling workloads and determining what resources are required.

### **Budgeting basics**

Don't shield children from the real cost of food, clothing and luxuries, they will need to understand these costs when they live on their own. You could start to involve them in your budgeting decisions e.g. what the family spends every month and how this relates to the family income. Teaching your children how to budget is nearly as important as teaching them to read, it should be second nature by the time they leave school. Try to impart knowledge about money without burdening your children with guilt. When times are tough, try to use the situation as an opportunity to explain how the family will adapt and more importantly how to develop a plan to work yourselves out of your situation.

### **Investing for the future**

By the time your child is in high school, you should be discussing how their savings should be invested. Very few young adults know anything about investing. They might have heard of concepts such as unit trusts and shares but they have limited understanding of what these are. Take the time to explain these concepts to your children and start investing some of their money into a unit trust or Exchange Traded Fund (ETF) such as Satrix to teach them real-life lessons about investing.

### **Tech them to fear debt**

One of the most important lessons about money will be how they manage (and preferably avoid) debt. Try to raise children who have a fear of credit cards and personal loans. The one factor that most often leads to financial success is the

ability to save and to avoid debt. Very few people manage to do this and that is why so few people are able to retire comfortably.

**Consistent discipline**

Your children need to learn that financial success is achieved by consistently spending less than they earn. Achieving a balance between instant gratification and long-term discipline is critical. If your children have this discipline by the time they leave home, you will have given them a real head start in life.