

11 Ways to Teach Kids How to Save Money



By Miranda Marquit



My son loves saving money. He loves to watch the pile of coins and dollar bills grow in his big, re-purposed pickle jar and he loves emptying out this ceramic “cash cow” to take his money to the credit union – and receive a prize.

Watching his money pile grow and receiving prizes are two things that inspire my son to save. But there are additional ways to motivate your child to start saving.

The most important thing at the beginning is to make saving fun. Plus, the earlier you start teaching your children to save money, the better off they'll be. Even toddlers can do it, but you have to teach this concept in a way they'll understand. Then, as your children grow, you can introduce more sophisticated saving strategies.

Here are a few ideas to teach your children to save money at any age.

Making Saving Fun for Young Children

My son was introduced to saving as a toddler. We didn't use money at first, and in fact, we weren't even trying to teach him about money. What we had was a reward system for watching TV based off of coupons. He could earn “coupons” that could be exchanged for TV time and we labeled each of our DVDs with the number of coupons he needed to watch them.

The short episodes of “Berenstain Bears,” for example, required one coupon, while the long “Incredibles” movie required four. Pretty soon, he caught on that if he wanted to watch a longer movie, he needed to save his coupons. Then, when we started paying him an allowance around the age of five, my son easily understood that he could spend and save his money like he could his coupons.



When it comes to learning concepts like saving, visuals and physical interaction are important, especially for young children. With that in mind, here are a few ideas to teach your child how to save:

1. Use Different Envelopes/Jars

You may be familiar with the envelope budgeting system for your own money, but this can also work for children. On either envelopes or jars, have your child draw pictures of what he or she wants. You may also want to help your child understand that some items will take longer than others to save for.

For example, the short-term savings container might have a picture of a specific toy, while the long-term container might have a picture of a trip to Disneyland. Teach your child to set aside money for short-term and long-term goals, and have another container or envelope for spending on everyday items.

2. Make a Savings Goal Chart

Once you know what your child wants to save for, figure out how many weeks it will take and make a

chart. You can represent each week with a box and your child can put a sticker in that box once the money from that week's allowance is set aside.

We did this with my son, and he put a picture of the Transformer toy he wanted on the chart. We figured out how many weeks of allowance it would take to save up (after his long-term savings and church donations were taken out). Every time he received his allowance, he would divvy up his money and put a sticker in a square (he loved stickers at the time). This way, he could see himself getting closer and closer to his goal.

3. Offer Rewards for Saving Money

Consider rewarding your child for saving his or her money. Much like my credit union, which offers t-shirts and other prizes, you can offer prizes to your children.

For example, if your child doesn't spend any money for a certain amount of time, provide a small reward or treat. You can also make the prizes better the longer your child saves. Try stickers, an extra 1/2 hour of video games, toys, or whatever motivates your child.

4. Set a Good Example

One of the best things you can do is let your child see that you save money too. Put money in a jar while your child is watching and tell him or her it's your savings jar. This will show your child that saving is "normal." Plus, since most young children want to be like their parents, seeing you do it will provide them with money lessons that further inspire them to save.

5. Match Your Child's Contributions

A "savings match" can be a great way to encourage your child to save extra money and get an early peek at the benefits of a company match for a retirement savings program like the 401k. While we have a standard amount my son is required to set aside from his allowance, if he chooses to save more, we match it.



Helping Older Kids Practice Saving

As your child gets older, a goal chart may be less inspiring, and drawing pictures on an envelope tends to lose some of its charm. However, you can still set an example of saving and you can still match your child's contributions. Plus, it's always a good idea to have different envelopes, jars, or accounts for different purposes.

As your child grows, here are a few more ideas to teach him or her about saving:

1. Open a High Yield Savings Account

When your child is old enough to understand the concept of interest, you can look for savings accounts that earn interest. Help your child open a high yield account online and explain the importance of compound interest.

2. Help Your Child Prioritize

Have an older child write out a wish list of things he or she wants to spend money on and prioritize that list. Ask your child to think long-term as well. How about a nice laptop for college, a graduation trip to Europe, or even the down payment for a house someday?

Then, have your child allocate an amount of their allowance, or “income,” to each goal. These are the beginnings of a financial plan and this type of thinking will serve your child well in the long run.

3. Let Your Child Make Mistakes

Sometimes the best lesson comes from a poor decision, especially when your child is young and the financial loss won't be so great.

When my son got his birthday and Christmas money last year, he rushed out and spent it without thinking. After spending most of it, he realized that he didn't have enough to get the video game he wanted. He wished he had thought about it first before he spent it. But now, he saves up for the things he really wants and thinks before he spends.

4. Play Games

There are a number of games available to teach financial concepts to children. Monopoly and The Game of Life, for example, can teach money management skills as well as the importance of planning ahead. Rich Dad Cashflow for Kids is another good option focused on money management.

My son's first move in Monopoly is to set aside enough money to buy Boardwalk so he is prepared if he lands on it. In addition to classic games related to money that you can use as family game night ideas, there are a number of online games as well such as Rich Kid Smart Kid.

5. Talk About Money

While you may not want to discuss your salary in front of your children, you may want to let them hear you discuss your financial plan and the arrangements you're making for retirement, for example. This could simply be having a conversation with your spouse while your children are in the room. In this way, your children can understand that saving is a lifelong endeavor.

6. Look for Good Deals with Your Children

One of the keys to saving money is looking for deals on purchases. When my son saw a book he wanted at the grocery store, my husband suggested we go home and look online for a better price. Together, they compared prices on different websites and even considered purchasing the book used.

Now my son loves looking for deals. He even reminds us sometimes to comparison shop before we pull the trigger on a purchase.

Final Word

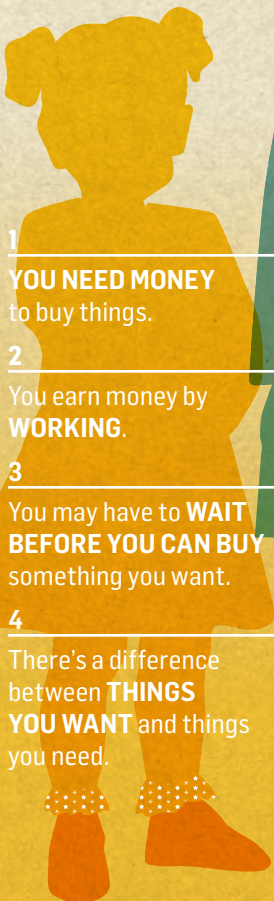
Teaching your children how to save is an important step to prepare them for financial responsibility and a secure future. But it won't go very far if you don't “practice what you preach” and save for the future yourself. Whether we like it or not, most of us take after our parents and emulate the habits we observed in them during childhood. In other words, you need to act how you want your children to act when they grow up.

What are some of the most effective methods that you utilize to help teach your kids about saving money?

MONEY AS YOU GROW



20 THINGS KIDS NEED TO
KNOW TO LIVE FINANCIALLY
SMART LIVES



- 1 **YOU NEED MONEY** to buy things.
- 2 You earn money by **WORKING**.
- 3 You may have to **WAIT BEFORE YOU CAN BUY** something you want.
- 4 There's a difference between **THINGS YOU WANT** and things you need.

3-5 YRS



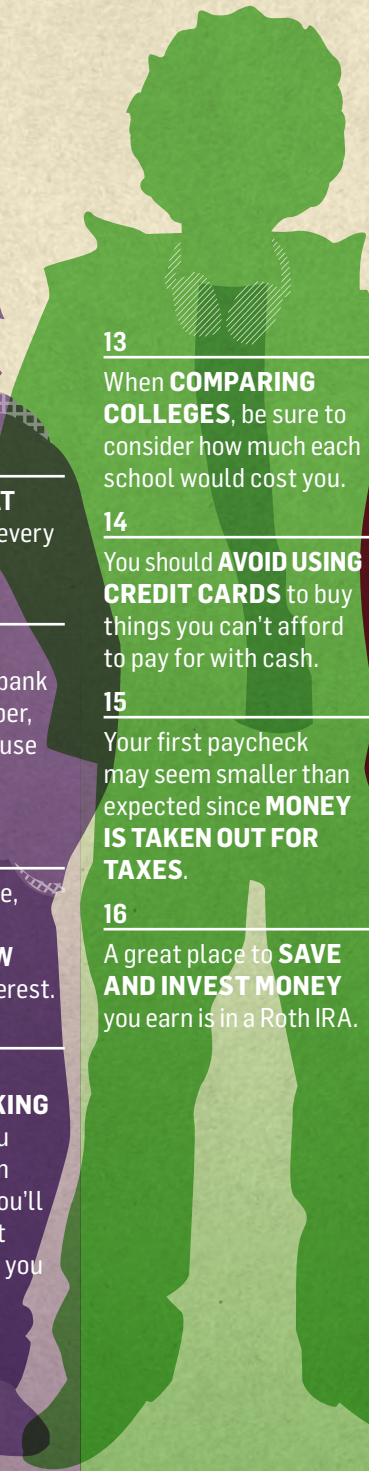
- 5 You need to **MAKE CHOICES** about how to spend your money.
- 6 It's good to shop around and **COMPARE PRICES** before you buy.
- 7 It can be costly and **DANGEROUS TO SHARE INFORMATION** online.
- 8 Putting your money in a savings account will **PROTECT** it and pay you interest.

6-10 YRS



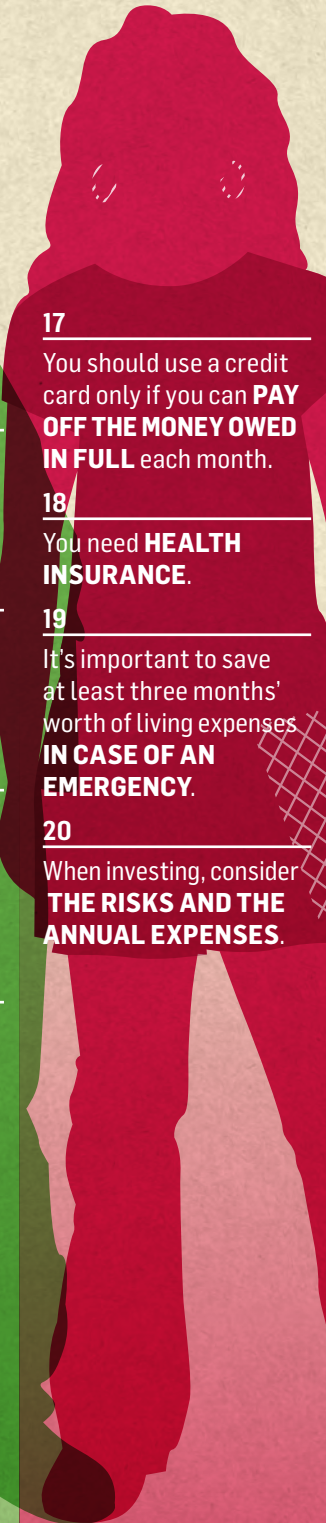
- 9 You should **SAVE AT LEAST A DIME** for every dollar you receive.
- 10 Entering personal information, like a bank or credit card number, online is risky because **SOMEONE COULD STEAL IT**.
- 11 The sooner you save, the **FASTER YOUR MONEY CAN GROW** from compound interest.
- 12 **USING A CREDIT CARD IS LIKE TAKING OUT A LOAN**; if you don't pay your bill in full every month, you'll be charged interest and owe more than you originally spent.

11-13 YRS



- 13 When **COMPARING COLLEGES**, be sure to consider how much each school would cost you.
- 14 You should **AVOID USING CREDIT CARDS** to buy things you can't afford to pay for with cash.
- 15 Your first paycheck may seem smaller than expected since **MONEY IS TAKEN OUT FOR TAXES**.
- 16 A great place to **SAVE AND INVEST MONEY** you earn is in a Roth IRA.

14-18 YRS



- 17 You should use a credit card only if you can **PAY OFF THE MONEY OWED IN FULL** each month.
- 18 You need **HEALTH INSURANCE**.
- 19 It's important to save at least three months' worth of living expenses **IN CASE OF AN EMERGENCY**.
- 20 When investing, consider **THE RISKS AND THE ANNUAL EXPENSES**.

18+ YRS

moneyasyougrow.org

Savings Tracker

[illegible]

name: _____

date: _____



spending diary

directions

For one week, keep track of how you spend your money. At the end of the week you may be surprised to see where your money goes. After you fill out this chart, answer the questions below.

day	item	amount spent

setting up a spending plan

What are the common categories for the expenses in you spending diary?

- 1.
- 2.
- 3.
- 4.
- 5.

how much did you spend in each category?

category	total amount spent



spending plans

directions

Put yourself on a budget for one month. First, determine what categories of expenses you have. You may include “fun,” “food,” and “gift,” for example. Then decide what your spending limit is for each category. Each week track how much you actually spend.

expense category	weekly budget	amount spent			
		week 1	week 2	week 3	week 4



savings alternatives

directions

Do some research on different options for saving your money. Call or visit local banks and ask about the details of opening an account. Then fill in the following chart so you can compare the accounts.

Institution/ account	minimum balance	interest rate	compound or single	when paid	limited withdrawal

Design your own **COIN**



2018 YOUTH MONTH (GRADES 3 - 5)



TRIP TO SCHOOL

Help Alex get to school, but first pick up all the things he needs along the way.

What are you waiting for, hurry up, he's late!

