



A weekly question/answer column

How Do I Teach My Children About Saving And Borrowing Money?

Liz Gorham answers:*

Last of a Two-part Series

The concepts of saving and borrowing money are life skills, and the sooner children learn them, the better equipped they will be to manage their finances. Consider these suggestions as you teach.

- Explain the difference between short-term saving for a specific want or need and long-term saving for unknown items or emergencies. As children set up short-term saving goals, let them know how long it will take to save for a particular item.
- Motivate savings by annually matching the amount the child has saved. To encourage younger children to save, use a bank that allows them to see the money as it accumulates.
- Talk with children about how they will spend their short-term savings. Have them draw or cut out a picture of the item they are saving for. Praise and encourage them often as they save. As children get older, establish a general policy for saving, such as 5 or 10 percent of all earnings. Open a savings account in a bank and have them keep a record of money in their account. Talk to them about times when you have been glad you had savings for an emergency.
- Teach children to save their money for a wanted purchase rather than borrowing money so they can have the item now. Show them how money can be saved by using coupons, by taking their lunch to school instead of buying it, collecting items such as aluminum cans for redemption or saving their spare pocket change every day.
- If children request a loan from you, keep the loan amount realistic for their financial means. Never loan them more than they can repay and don't end up forgiving the loan. Draw up a contract for any loan with your children, no matter what age. Charge interest or set up a grace period when no interest will be charged. Use a loan payment book and explain how it works.

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