

Raising Money Savvy Kids: Tips for Teaching Children to Save

00:06 Megan

Financial wellness includes the ability to manage money in a way that gives you peace of mind and empowerment to make your own choices. At Golden 1, we're here to help with unbiased financial guidance. As a not-for-profit member owned credit union, our main goal is to help you reach financial well-being. Join us as we discuss why financial knowledge matters and how to apply it to your financial journey. Together, we can be golden.

Hello and welcome to the Golden 1 Financial Wellness Podcast- I'm Megan.

00:39 Barbara

And I'm Barbara. Thank you for joining us today as we talk about the benefits of teaching children to save.

00:45 Megan

As parents or caregivers, we hold the responsibility of shaping our children's future, not only in terms of their academic and personal development but also teaching them important life skills such as money management. One of the most practical lessons we can impart to our children is the value of saving money. Because saving money not only helps children achieve goals but fosters a sense of financial responsibility and independence.

01:16 Barbara

These lessons should start as early as possible. A study by the University of Cambridge found that children's money habits are formed by the age of seven

01:27 Megan

Seven?

01:28 Barbara

Imagine that by seven. We already know if we're going to be good at managing our money, but we can always improve. I remember when I was 14, my mother talked to us about savings- she talked throughout our childhood, but she decided to open our first savings account at age of 14. And I just remember her talking about the importance of putting money away that every penny we earn, we need to really split it with our savings. For us to be able to do the things we want to in the future.

02:08 Megan

I can see that. I definitely see that now. When you I hear the word seven and I'm like, okay, that registers with me too, because I have really similar memories of my parents and their work ethic and feelings associated with that personal finance and I guess that's why one of the most effective ways to teach our children these good savings habits is really by modeling this behavior ourselves.

Our children learn by observing us, even when we don't think that they are paying attention. They are. They're modeling. You know, it doesn't have to be this direct conversation. It could just be how they hear us talking about money with others or how we voice out our goals and what we're doing to achieve those goals. The example that we set, it could be both good or bad, depending on how we're managing our own money.

So to model this good money management, we might have to, you know, work on our own money management and habits first, because leading by example can help our children develop an understanding of needs versus wants. The importance of saving and the value of money.

My son, for example, he's- he's now nine, and I've really tried to impart on him the importance of saving. And we regularly talk about savings goals and making plans on how to achieve these goals. In our family discussions about money are fairly transparent in our household. My son, from what I can tell, has a pretty good understanding of these savings fundamentals. Of course, this sometimes backfires when mom wants to splurge on like a new purse or a pair of shoes- right?

I'll never forget that time we were in Macy's and my son stopped me and said, Mom, is that a need purchase or a want purchase? I just about died laughing. But I'm glad he's- he's at least been listening and he's understanding these saving concepts. But I'm even more excited that now I get to teach him, well, you know, son, it is a want-based purchase, but I saved and budgeted for it, right?

Because it's okay to spend too. Mom can buy this new purse or this new pair of shoes because I have worked that into my budget to spend that money on that new pair of shoes or that new purse.

04:23 Barbara

I think it's exciting to see how our kids are picking up all these things and actually putting it to use. I remember my daughter having a conversation with her dad and just to give a context, I have been a money coach for 12 years and my daughter has heard me give thousands of counseling consultations with my clients. And so here she was having a discussion with her dad, a full-on financial consultation with her dad.

So she was a 16 year old money coach at that point because she's heard so much from me telling her dad where he should be saving his money and what he should be spending his money on. And I think it's funny, all I could do is laugh at my daughter, repeating a lot of the things that she's heard from me.

But aside from modeling, we also need to have these discussions directly with them. We want to talk specifically about what they could or should be doing based on their age level. If they're younger, we're going to talk very basic content, very basic concepts. The older they get, they start to understand and really be able to apply a lot more complex concepts, money management- especially when they have their first job.

So it's important to talk to them directly about what to do with their money and help them set their own goals.

06:01 Megan

Help them not only set those goals, but create that their budget. That spending and saving plan really help them understanding that, you know, that they save now, it'll help them enjoy something that they really want in the future. I know my son, for example, he really wanted a new bike- more specifically a blue mountain bike he had self-proclaimed as being cool for our camping trips-right- it's got to be the cool bike. He created a goal and he made a color chart and he would kind of fill in as he saved each and every dollar on this chart from his allowance to be able to purchase this bike. And I really watched him make some really tough choices and struggle with temptations of instant gratification.

I'm sure it was really hard for him to skip out on picking up extra treats from his school snack shack or, you know, putting that change into the convenience store vending machine to get that bouncy ball or that shiny sticker. But he did it! And now he's cruising around on this new bike and he's very proud that he bought it all by himself.

And I think there's a lot of valuable lessons that were learned in this process of budgeting and saving and really weighing out those needs versus wants.

07:17 Barbara

I think making saving fun really works for young kids like your son's color chart or maybe some parents can have different jars for different goals that they're setting. Whether it's saving for things like a bike, maybe for a new toy, or even for a new car- If they're a little bit older- it motivates them to save. And like you said, they practice delayed gratification because they're postponing getting something that they want, like the snacks for something that is bigger, more meaningful in the in the long run.

Another option is for us to help our kids open a savings account. My mom, as I said, opened my first savings account when I was 14, but I opened my daughter's first savings account when she was 6. And even though it might have been hard for her to read and understand her statement, I was able to help her and show her here's where how much money came in. This is how much it's grown. And my mom and I made a pact to give her \$10 a month to put into her savings. So, she was not allowed to spend on anything else. It was just to go towards her savings and any money that she had for birthday presents or Christmas presents that she wanted to buy into the savings account she did.

So her looking at reviewing her bank statement every month reminded her, Mom, you need to give me my next \$10. And you can believe she never let me forget.

08:58 Megan

I bet she didn't. I bet she did it. I mean, children really do love having their own accounts, Right. It acts as a great motivator, like you said, and teachable moments for us. Right. And showing and sharing that bank statement information, it kind of makes kids feel like a big kid or like they have a little more independence.

I know both of my kiddos still love emptying their piggy banks into the coin machines. My little girl calls it the coin Monster, and then she walks her little ticket up to the teller window and deposits her money into her bank account. But, you know, every child is different. Some of them are spenders and some of them are savers.

And we have to let them learn with their own money to either spend or save.

09:40 Barbara

And I think that you hit it on the nail. Some kids tend to be more of spenders, some more savers. My daughter for sure is a spender, and learning these habits early on helps them fight some of those spending needs, right, because they are just kind of naturally predisposed to be a little bit more free and wanting to spend what they want now. If we teach them these habits as early as possible, they learn how important saving is, even if they have the temptation to spend, they know that it's the best thing to do to save before spending.

10:23 Megan

Right, it's just such an important life skill that's going to benefit children well into adulthood. And by setting these good examples and talking about money involving them in budgeting decisions, encouraging savings goals, teaching that delayed gratification and making savings fun, parents and caregivers can help instill good financial habits in their children.

10:45 Barbara

Yes, and habits don't develop overnight. It takes time. We know it's hard to create a new habit as adults. So, it's the same for kids. You know, they need to learn to develop that habit and we need to be consistent with them. So, if we are like me giving my daughter \$10 a month, I needed to keep that consistent so that she knew this goes into my savings account every single month. I am not going to deviate from that. And as parents, we want our kids to have a better and easier life than what we had in the past. Right? What we had growing up. So, teaching them about saving for their future as early as possible is a great legacy and it really helps them have a successful future.

11:39 Megan

Right? And of course we need to teach our kids how to spend wisely too. So, stay tuned for our next podcast, where we talk about teaching our money savvy kids how to make wise spending decisions.

11:52 Barbara

Absolutely.

11:54 Megan

We hope that you've picked up on a few things that you could do to teach your children about the importance of savings. If you haven't already done so, subscribe to the Golden 1 Financial Wellness podcast on Apple, Google and Spotify to get more financial tips and insights. Plus, go to the Financial Wellness tab at **golden 1.com** to find a ton of other resources like videos, interactive modules and webcasts. You don't even have to be a member to use them!

As a dynamic and trusted leader dedicated to enhancing the financial well-being of Californians and our diverse communities we have launched a new learning lab

designed to assist individuals in developing their financial knowledge. Get started with our program by taking a personal assessment, and then the program will tailor its content options by providing recommendations, tools, and courses to help support your specific financial journey. Additionally, the program continuously builds upon your acquired knowledge and recommends new content based on the courses and tools that you're utilizing. Thank you so much for joining us today. This has been Megan.

13:00 Barbara

And Barbara, wishing you financial, health and happiness. And as always, reminding you to

13:03 Barbara and Megan

stay golden.

13:08 Megan

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