

Daily Union Article

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Title: Teaching Kids about Money – Part 2 of 3

In a world focused on immediate gratification instead of calculated decisions, it is tough to tackle money management effectively. Last week, I shared the importance of teaching children about money at a young age. The sooner kids learn money basics; the easier it becomes to teach some of the more advanced principles of money management. While you guide them in knowing the face value of money and how to identify amounts, you can also help them begin to understand the concept of **need vs. want**.

The early elementary years are an ideal time to help kids understand that everything that entices them does not necessarily mean they need it. Exposure to television advertising that uses “you’ve got to have this” approaches only compounds the challenge parents might have in helping kids distinguish needs versus wants. We also get drawn into such phrases “while supplies last, lowest price of the year, or closeout sale.” Instead of making a planned purchase, these phrases convince us that we ‘need’ to buy it now. The key to breaking the spell cast by advertising is to make sure you need the product, not just want it. Without the ability to sort out their needs and wants, children and adults alike, can easily get trapped by debt.

Needs are things a person cannot live without. They are necessary for meeting the basic needs we all have: food, shelter, clothing, and safety. They are essential for daily living – things you CANNOT live without. Examples of needs include:

- Nutritious food
- A place to live
- A warm winter coat
- A good pair of shoes
- Transportation

Wants are things you would like to have. They are things you CAN survive without.

Wants include such things as:

- Designer Jeans
- Toys
- Candy
- Video game
- Mountain bike

It is important to note that there are times when wants become needs. For example, perhaps your child is taking too long to walk 7 blocks to school and you are unable to drive them. A bicycle might become a necessity to help get them to school on time. They don't need a mountain bike, but a regular one-speed bike would help meet the need for transportation.

Every parent or caregiver has found themselves in the store with their child asking (if not begging) to buy something they say the "need." Having a conversation before going shopping about what is on the planned list of purchases might help alleviate this challenge. Encourage your child to really think about the purpose and value of what they think they need. There are some questions your child can ask themselves to determine whether the item they are asking about is a need or a want.

- Do I need this item to get ready for or attend school? Maybe an electric toothbrush, hairdryer, towel, and/or salon shampoo?
- Do I need this item because the old one I am replacing is broken beyond repair or worn out? Maybe my school shoes, an alarm clock, or a backpack?
- Do I need this item to participate in school activities? Perhaps P.E. clothes, basketball shoes, or music case?

You will note that there are no questions above regarding food or shelter. Typically parents provide basic needs but occasionally, kids will ask for additional things beyond basic necessities. The questions above will help them decide how important a purchase may be. Parents can also decide if they want to contribute money to purchase these extras or guide the child in planning to save their own money in order to purchase the items themselves.

Encouraging children to save their money to purchase their wants offers a great opportunity to talk about setting goals.

Saving money can be very hard, but not impossible. Setting goals is a great way to start building money management skills. Children should consider how they currently spend their money right now as well as what they would like to spend their money on in the future. Setting goals around the "now" and "later" purchases will help them make wiser money decisions. Begin by helping children understand the difference between a short-term goal and a long-term goal.

Short-term savings goals are ones that are achieved in a shorter amount of time, like a few weeks or months. If you have a short-term goal, it means you have enough income generated to purchase the thing you want within that timeframe. Some

examples of short-term purchasing goals kids might have include: a new CD or DVD; movie tickets, a special t-shirt, or a new video game.

Long term savings goals take longer because they are typically more expensive and have greater value. Saving for these types of purchases may take several months or maybe even years. Long-term goals may or may not be defined as a "need" or "want". Rather, they may be a want right now, but will be a need later. For example, my 12 year old son is saving for a car. He can't drive yet, so it is not a need at this time, but it will likely become a need when he is older and has a license to drive. Here are some additional things that might require a long-term saving goal:

- Computer
- Money for a trip
- Science camp
- College
- Mountain bike

Knowing the difference between needs and wants and using that information to help determine short-term and long-term savings goals will help your child move into adulthood with more control over their spending habits. Next week, I'll introduce some ideas to help children with saving money and the risks of debt they will face. Unit next time, keep living resourcefully!