RAYMOND JAMES

Raising Smart Spenders and Savers

Talking to kids about money can be awkward, but it's important.

That's the takeaway from a recent T. Rowe Price survey, which showed that parents consider topics like death and politics easier to discuss with kids than saving for a goal. A full 85% wanted to avoid the issue by signing their child up for a personal finance course.

Though a class might help – and your wealth manager can be a valuable teacher's aide – your kids are still taking their cues from you.

"Parents are the number one influence on their children's financial behaviours," Beth Kobliner, author of "Make Your Kid a Money Genius," told Forbes. "It's up to us to raise a generation of mindful consumers, investors, savers and givers."

Here we offer essential financial lessons to teach your kids at each age and stage.

AGES 3-6

Don't underestimate them – at 3, your kids can grasp basic financial concepts, and by age 7, they have already formed money habits, according to a Cambridge University study. Start with the basics, including the idea that you work to earn money in order to pay for what you want and need – and help your kids understand the difference.

Create a wants vs. needs collage: divide a sheet of paper in half and have your child cut and paste photos from magazines into the two categories.

Recognising trade-offs is another important early milestone. Try thinking aloud when you're grocery shopping about the amount of money you're exchanging for a product, or have them help you compare the unit price of similar goods. Whether a trade involves money, treats or time, discuss with your child how every decision has consequences.

Around age 5, it's important to give kids some cash to manage. A regular allowance allows them to start thinking in terms of financial trade-offs, and you can offer them a three-part piggy bank (save, spend and share) so they begin to understand the different functions of money.

By age 6, your child should be able to focus on completing small chores to earn money and understand the value of different coins and notes well enough to sort and count them.

It's important to introduce and make clear early on the relationship between working for something, and receiving monetary rewards in return.

> "It's up to us to raise a generation of mindful consumers, investors, savers and givers."

AGES 7-12

As your child grows, help them develop values such as empathy and gratitude. Knowing that some families live in poverty and need assistance is part of financial literacy. Using a site like Dollar Street that shows photos of different families around the world living on a variety of incomes can help. So can letting your child have a say in where the family's charitable donations will go.

It's also a good idea to pass down family stories to the next generation – how your parents pitched in to help you build your business, your first big purchase, or how spending habits helped you weather the ups and downs of life. These tales can help them understand their place in the world and develop perspective on what has value in life.

These years are also a good time to have your child open a bank account, which can help them claim the identity as a "saver" and associate positive emotions with it. You should also help them track what they are earning in interest. "There's nothing like receiving an interest payment (even if it is a few pence) in your name for the first time," Asheesh Advani, CEO of Junior Achievement Worldwide, told Inc. magazine.

AGES 13-18+

Credit cards, investing, taxes: As your child becomes a young adult, it's time to step up your game to help them with these complex topics and more. You can help them get started with the SIFMA Foundation's annual Stock Market Game simulation, let them take control of buying their school supplies on a budget, or help them calculate credit card interest.

Before your teen racks up any credit card debt of their own, consider adding them as an authorised user on your card. Show them that interest accrues unless the balance is paid off – and that any late payment hurts your credit score.

Talk about which data sources can be trusted. Share how you vet financial decisions, and urge your teen to keep digging if what they're being told doesn't add up. For example, if your child is researching universities, encourage them to do research beyond reading the brochure.

Many successful people trace their money skills back to a formative moment: getting a job as a teen. There's no better way to experience first-hand the effect of taxes, having a boss, being part of a team and managing your time to fit in homework. A seasonal job during school holidays or a part-time gig could help your teen better grasp the working world – and how they picture themselves in it.

Finally, come up with a savings plan for long-term goals, like buying their first car. You can use a budgeting app (try Goalsetter or Mint) that helps them visualise their progress, keeps spending in check and gives them a sense of ownership and confidence in their future.

START THE CONVERSATION

Whether your kid is 7 or 17, they are ready to hear money talk from their parents and grandparents. After all, financial literacy is not just about pounds and pennies. You're really showing them how to think for themselves, develop values and make sound decisions. In the space of a few teachable moments, you can empower them to take control of their future – a worthy investment.

Sources: T. Rowe Price 2019 Parents, Kids & Money Survey; Forbes; Inc. magazine; CNBC Millionaire Survey; U.S. Consumer Financial Protection Bureau; Sallie Mae's 2019 Majoring in Money report; mtmfec.org