

# Show Your Child How to Make Responsible Money Choices



It's an age-old saying among adults: "Money doesn't grow on trees!" Your child may know that's true—and yet still believe that your family's supply of money is endless. Making responsible choices about money includes understanding that money is *limited*. Here are ways to help your child learn to spend, save and budget responsibly.

**QuickTips**

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## Needs and wants

**W**ith your child, name needs people can't go without, such as water, nutritious food, shelter and clothing. Use the following conversations to help your child understand the difference between needs and *wants*—things that people *could* go without:

### "Is that a need or a want?"

Pose this question when your child asks you to buy something that's not essential. Say your child needs sneakers but begs for flip-flops while shopping. Explain that safe, comfortable school shoes are a need right now, which makes flip-flops a want.



### "Can this wait?"

Hang a sheet of paper on the refrigerator. When your child asks for something you don't need or can't buy right away, it can go on the list. Your child might list "wants" that would make reasonable holiday or birthday gifts. Or, maybe your child wants pizza for dinner but you have leftovers you need to use up. Pizza can go on the list.



### "What makes more sense?"

Let your child practice making simple financial choices. Start with just two items, like pens or pencils. Ask questions to guide your child's thinking: "Which do we have more of at home? Which will you use more often?" Your child will learn to stop and think about needs and usefulness instead of always going with the first instinct.



### "What would you take to a deserted island?"

Encourage your child to make a packing list for an imaginary trip. The catch is that the list can contain an unlimited number of needs—but only 10 wants. Discuss each item your child proposes. Is a comic book a need or a want? How about an apple? Why? (Have your child apply this strategy to real trips your family takes when suitcase space is limited!)

## Goods and services

**H**elp your child realize that every day, people exchange money for the things they use—from the water that comes out of the tap to the lights that turn on when we flick a switch. First, explain that *goods* are items that we can see or hold (clothes, food) while *services* are things we use that other people provide (internet service, doctor visits). Then, try these activities:

### Sort goods and services

Divide a sheet of paper into two columns: Goods and Services. Together, brainstorm things your family uses and have your child write each one in the correct column. Let your child illustrate the items, like a stuffed animal under Goods and face painting in the Services column.

### Talk about taxes

Point out that even things that seem free, like library books, the park, or public schools, cost money. Explain that adults pay taxes in exchange for goods and services that everyone shares. Save a store receipt or paycheck stub, and show your child how much tax you paid.



## Budgeting

**A** budget is simply a plan for spending and saving money. Try these activities to bring the idea of budgeting to life for your child:

### Stick to a grocery budget

Decide on a budget for your next food shopping trip. Challenge your child to help you buy as much as possible while sticking to the budget. Then:

- **Look at grocery circulars together**, and let your child cut out pictures to create healthy meals using foods that are on sale.
- **Help your child make a menu** and a grocery list of all the ingredients.
- **As you shop, help your child** use a calculator to add up the prices of items in your cart. Can you get out of the store without going over your budget?

### Plan an outing

Give your child a budget for a family outing. Let your child decide where to go, such as a museum, and find ways to stick to the budget. Your child can list expenses (transportation, entrance fee, lunch, ice cream). Packing a picnic lunch instead of eating at the snack bar would save money—and maybe your family can splurge on ice cream if there's money left in the budget.



## Summary

**F**inancial literacy includes understanding that money is limited. People must consider needs before wants and decide what is important in the short term and in the long term. Young children can begin learning to:

- **Identify** goods and services that cost money.
- **Distinguish** between needs and wants.
- **Ask** questions such as “What should we buy now, and what can wait until later?”
- **Make** simple personal decisions about spending.
- **Become** involved in family financial decisions, like planning meals and outings.
- **Create** a small budget and stick to it.



Planting the seeds of financial responsibility now will pay off later when your child is faced with important decisions about money.

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