

Deepen Your Child's Financial Understanding



Once your child has basic knowledge about what money is, where it comes from and where it goes, it's time to dig deeper into the world of financial literacy! For example, what's a better buy: a \$4 gallon of milk, or a half-gallon for \$2.50? Basic math says the gallon is the best deal—but only if your family uses it before it spoils. This guide will help you go beyond dollars and cents to enrich your child's understanding of value, savings and other more complex economic concepts.

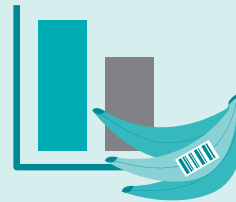
QuickTips

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Help your child consider value

Teach your child that price isn't the only factor to consider when making a purchase. It's also important to plan ahead and to try and get the most value for your money. To demonstrate this concept:

Graph produce. Explain that it's important to shop in ways that will cut down on waste. Buying too many ripe bananas, for instance, means that some may become over-ripe before anyone can eat them. Have your child make a picture graph to track how many fresh fruits and vegetables your family eats in one week and how much gets thrown away. Then at the store, have your child use the graph to figure out how much produce to buy for the next week.

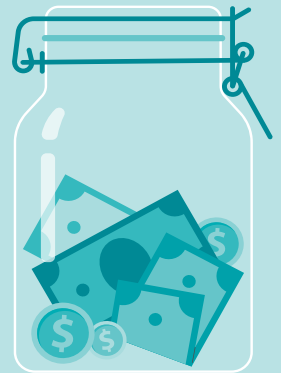


Determine value. Help your child think of something you purchased recently that seemed like a good deal but ended up costing more in the long run, like a toy that frequently needed new batteries. Together, calculate the actual cost of two similar items, such as disposable batteries and rechargeable batteries. How many hours will the disposable ones last, and how many packs would you need to buy before you'd spend more than if you bought the rechargeable ones?

Treat money with care

To a child, money might just look like green paper—when really, it's something important that people can trade for items they want or need. Teach your child that money is valuable by setting an example of how to care for it.

- **Let your child decorate** a shoebox or a clear jar for allowance or gift money. Show your child how you keep money in safe places, such as your wallet, bank account or spare change jar. Explain that cash can't be replaced if it gets lost.
- **Demonstrate how you track** income, savings and expenses, such as with a banking app, a checkbook or a spreadsheet. Help your child decide on a way to keep track of money too, such as making a chart.
- **Emphasize the importance** of careful budgeting. If your child overspends and runs out of money, don't provide more right away. Instead, explain that your child must wait until the next allowance day, special occasion, etc., to receive more money.



Teach the importance of saving

Saving money allows people to make purchases later that they can't afford now, and helps them afford unexpected expenses. To help your child learn why setting money aside for the future is important:

Create a savings chart. Have your child divide a sheet of paper into three columns labeled Short-term, Medium-term and Long-term. In each column, your child can write, draw or cut out pictures of desired items to save for in that time frame. A short-term purchase might be a stuffed animal, a medium-term one could be a Lego set, and a long-term savings plan might be for a bike.

Have your child calculate how much to save each week or month to buy something in each column.



Plan for the unexpected. With your child, brainstorm a list of unplanned expenses that families might encounter, such as fixing a flat tire or a doctor's bill. Help your child look up the costs of potential expenses and discuss ways your family might save for each one.

Enrich your child's financial literacy with reading

From counting money to earning, saving and spending it, financial concepts come to life in this selection of books for young readers.

***Lemonade in Winter* by Emily Jenkins.**

Your child can count and add money along with the young entrepreneurs in this book. Two siblings discover that running a lemonade stand in winter might not be the best financial decision—but they have fun and make some money anyway.

***Alexander, Who Used to Be Rich Last Sunday* by Judith Viorst.**

Alexander thinks he's rich after his grandparents give him one dollar. However, he quickly finds plenty of ways to make the dollar "disappear"—and learns a valuable lesson about managing money.

***Finance 101 for Kids: Money Lessons Children Cannot Afford to Miss* by Walter Andal.**

How do people earn money? What tools and strategies make it easier to save? What are the advantages and disadvantages of credit? This book explains how the economy works and offers practical advice children can use now and in the future.

***Follow the Money!* By Loreen Leedy.**

A quarter is the main "character" in this story that follows a day in the life of a coin. Along the way, readers learn about shopping for bargains, making change, donating money and more.

Summary

Developing financial literacy and responsibility now, when the stakes are low, can prepare your child to handle serious decisions about money as an adult. Families don't need to have a lot of money to be qualified to teach children important financial lessons. To enrich understanding and instill positive fiscal habits, families can:

- **Teach children** to handle money carefully and make thoughtful decisions about how to spend it.
- **Share strategies** for deciding what to buy and how to get the most value for money.
- **Show children** why it's important to set aside money for the future, including for special purchases and unexpected expenses.
- **Read children's** books about financial literacy, which explain economic concepts in simple, engaging ways.



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