Making money make sense for kids

Kids today will need all the help they can get to thrive financially in this world. While a majority of teens today (77 percent) believe they are knowledgeable about money management, a recent survey revealed significant gaps in their understanding of financial tools and products. Nearly three-quarters (74 percent) of 18-year-olds say their parents have taught them how to use a credit card responsibly, yet only 32 percent say they know how credit card interest and fees work.[1]

Help your kids learn the right lessons about money:

As a part of BMO Financial Group, BMO Retirement Services now can bring additional resources to plan participants, including BMO Harris Helpful Steps® for Parents. This online resource helps parents best prepare their kids to be careful consumers, stay on top of spending, save regularly and manage money responsibly.

BMO Harris Helpful Steps® for Parents offers a wealth of expert advice, helpful articles, informative webisodes, expert blogs, and fun games and activities to help you and your kids take the right steps toward a happy, secure financial future.

One bright spot, however, is that many parents see the current economic uncertainty as a teachable moment — a chance to ensure that their children are better prepared to meet life's fiscal challenges than they were. The problem is, most don't know how to start "the money talk," especially if their own mothers and fathers never had it with them.

There are a number of ways you can teach your children about money. Here are some age-specific teaching tools.

Ages 4 to 9

- **Start simple and build from there.** As soon as your kids can count, introduce them to money, starting with the difference between pennies, nickels, dimes, quarters and dollars. Preschool children like to handle and count their money, so give them a place to store their savings — a piggy bank that can be opened easily, an envelope, a tin can or box all work equally well.

- **Give them an allowance.** Kids as young as five years old can learn about managing their money, if you give them an allowance and let them spend it. Giving them their own pool of cash to draw from enables young children to learn both the value of money and, eventually, the consequences of their choices. Whatever amount of allowance you feel is appropriate for your child, give it in multiple bills or coins to encourage saving. For example, if the amount is $1, give your child four quarters and suggest that he or she set aside at least one quarter for savings; if the amount is $5, provide the allowance in five one-dollar bills.

- **Teach them to set goals.** Nearly every toy or other item your child asks for can provide an opportunity to learn about goal setting. Tape a picture of a toy your child wants on the side of a piggy bank, milk carton or jar to help your child. As a reward for saving, promise a trip to the child's favorite store. This process will help teach your child that it takes time and planning to get the things he or she wants in life.

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Ages 10 to 14

- **Bank on their future.** Once your children have a pool of savings, take them to the bank to open their first savings account. Make sure they each receive a passbook or, later, a statement so they can see how their savings are growing. Another idea is to give your children gifts of stock or mutual fund shares in lieu of extra toys as a way to teach them about saving and investing.

- **Make money fun.** Today, there are dozens of games, Web sites and computer programs aimed at teaching children financial literacy. Use family time to explore these together. The concepts kids learn from these games are important.

- **Teach them to budget.** Consider bumping up your children's allowance and giving them responsibility for paying for certain discretionary items. For example, some parents require their children to use their own savings to pay for movie tickets, cell phone charges, music on iTunes and/or snacks.

Ages 15 and Up

- **Play matchmaker.** It's hard to get a teenager to put money in the bank regularly, especially when the mall is beckoning. Still, it's important to get them focused on saving for the future. Consider offering them a savings match: "If you put in a dollar, I'll match it."

- **Develop a spending plan.** Talk with your teen about the importance of setting priorities and goals. Then work together to develop a spending plan to pay for the things that matter most to your son or daughter, including setting aside money for emergencies and for charity. Introducing the idea of philanthropy will help your adolescent child see the importance of giving and the responsibility of being part of a larger world.

- **Walk the walk.** Discuss family financial matters with your teens and, where appropriate, involve them in discussions about the family budget, allowances, routine shopping, purchasing a new car or home, planning a vacation and paying for college.

Start early and pave the way

Financial attitudes and habits developed when young can last a lifetime. By educating your children about the importance of saving and investing, you can help ensure your children grow up to be more financially secure adults. To access tools you can use to show your children how to make sound decisions about saving and investing, go to **mybmoretirement.com** You'll find a range of calculators and tools that can help illustrate the power of saving early and often.

For further information on financial planning

We invite you to visit **mybmoretirement.com** or call the My BMO Retirement Line at **1-800-858-3829**.

[1]The 2011 Teens & Money Survey, Charles Schwab & Co., May 2011.