

Financial Fitness

Six Tips for Raising Financially Fit Kids

It's never too early to teach children the value of money and how to prioritize their financial health. The best strategy for helping kids grow into financially savvy adults is to give them hands-on experience early and often. Try the following to help develop your kids' fiscal fitness.

- 1. Give them money of their own** – Children quickly learn to appreciate the price of real-world goods when the money comes from their own pocket.
 - Consider giving children an allowance starting at age 6 or 7, and set expectations for which items they must now pay for themselves (e.g., candy, a new toy, movie tickets).
 - Increase the allowance—and the financial responsibilities—as children age to help teach them how to budget and spend.
- 2. Suggest a three-way split** – Help groom children to be good savers and philanthropists later in life by encouraging them to divide their allowance or job earnings into three categories: spending, saving, and donating.
- 3. Encourage giving to their interests** – Like adults, children tend to be more generous when they give money to causes important to them. Look together for charities that match your kids' interests.
- 4. Start saving early** – Motivate children to save by showing them how money grows with the help of compound interest.
 - Help pre-teens open a savings account, and teach them how their bank pays interest.
 - Consider providing additional incentive by offering a match (e.g., 50 cents on every dollar) on any money they deposit into their account.
 - Consult a financial advisor and determine if it makes sense for them to invest in certificates of deposits (CDs) or money-market accounts that offer better interest rates.
- 5. Interest them in investments** – During their teenage years, children may be ready for hands-on experience with stocks, bonds, and mutual funds.
 - Consult a financial advisor and decide if it makes sense to open a custodial brokerage account.
 - Choose investment options together, and offer children an opportunity to own a few shares in one of their favorite companies, like a computer corporation or clothing retailer.
 - Help children track their account performance and learn about the ups and downs of the stock market.
- 6. Prep for college** – When children enter high school, start discussing their role in helping pay for their college education.
 - Encourage teens to work part-time and set aside a portion of their paycheck for a college fund.
 - Have them research scholarships, compare the costs of various schools, and begin budgeting for expenses like text books and dorm costs.
 - Consider opening a credit card for your teen. Discuss the specifics of when and how the card can be used, and insist the balance be paid off every month. Set expectations as to how you will be paid back if your teen charges more than he or she can afford.

Source: Ameriprise Financial, Inc. (www.ameriprise.com).