



Consumer Tip March 2015: Tips to Teach Children Fiscal Responsibility



April is National Financial Literacy Month, which makes now an ideal time to start planning activities that will support the national focus on financial education. The Pennsylvania Association of Community Bankers encourages parents, teachers and community leaders to shine a spotlight on this important topic in April and throughout the year.

By making financial education a family priority, children learn the value of budgeting, saving, investing and using credit wisely. For many, the path to financial success starts in the home, often by watching their parents' buying decisions for the household. The following tips can provide the foundation necessary to help children make sound financial decisions for the rest of their lives.

Teach Children about Savings from a Young Age

During the month of April, encourage young children to save for 30 days. This could mean finding loose change tucked in the sofa cushions, collecting birthday money or earning cash by helping around the house. Gather the money in a piggy bank or shoe box, and have them count it at the end of the month. Set an achievable goal for those 30 days and then another goal for when it will be time to open a children's savings account, which most community banks offer. Encourage them as they get older and have their first jobs to put a portion of each paycheck in their savings account.

Let Your Children Help with the Bills in April

Let your kids be active participants when you pay the April utility bill. Children learn by watching so explain to them the importance of paying bills on time, checking the balance in your account to avoid overdrafting and having a household budget. Use this opportunity to talk with them about the family budget and answer any questions they may have.

Open a Checking/Debit Card Account for Older Children

High schools students often have part-time jobs, which means there is money for both savings and checking accounts. This is a great time to discuss how to track every deposit and withdrawal to watch savings grow and avoid

unnecessary overdraft fees in a checking account. Help them set longer-term goals for how much they want to have in their savings account by a certain date and what they need to have in their debit/checking account for small, everyday purchases.

Help Your Teen Establish a Credit Identity

Credit cards, when used responsibly, are often the best way for a young person to begin establishing credit. Once young adults have opened a credit card, help them learn to manage what they put on it, pay it off in full each month and pay it on time. Talk about interest rates and show them how much more they'll pay if the bill isn't paid in full monthly. Since the length of one's credit history is factored into the credit score, it is important to start establishing credit as soon as possible. Late teens is a perfect time for a first credit card.

The Budget Mindset

Once your children are close to leaving home and living on their own, they'll need to understand how to budget. Create a simple, realistic budget with them that includes all expenses (rent, car payment, groceries, etc.) and money coming in. Emphasize the importance of living on less than what you make to avoid debt and have money to cover unforeseen expenses that will always arise. Discuss ways to use credit wisely, look for low interest rates on major purchases and avoid late fees by paying bills on time.

March is a great time to map out your strategy for Financial Literacy Month in April. Many schools, local groups and community banks offer financial education programs in April. If this isn't offered in your child's school, ask the principal if it can be added. Same goes for your local community bank.

This information is provided with the understanding that the association is not engaged in rendering specific legal, accounting, or other professional services. If specific expert assistance is required, the services of a competent, professional person should be sought.

Provided as a public service by the Pennsylvania Association of Community Bankers.