

FINANCIAL FACTS of LIFE

If your family is like most nowadays, you've probably cut down on eating out, vacations and entertainment. But there are some things you're probably doing more of—and we mean that in a good way. Nearly half of parents say the recession has them talking with their kids about money, according to a nationwide survey by T. Rowe Price's Financial Planning Services Group. But most still wish they were preparing their children even more, and for good reason: If you make kids money-smart now, they'll be fiscally responsible for a lifetime.

BY CELIA SHATZMAN



Photo: Masterfile

BUDGET BASICS

Goal setting, saving, inflation and diversification are the four key and most basic components of finance, says Stuart L. Ritter, a financial planner at T. Rowe Price Investment Services. But that doesn't mean teaching those lessons is easy. Enter TheGreatPiggy BankAdventure.com, a free interactive online game aimed at 8- to 14-year-olds. It teaches lessons about investing and personal-finance management—and also happens to be fun! Walt Disney Parks and Resorts Online teamed up with T. Rowe Price to design the virtual board, which is set in a mythical three-dimensional world. But Ritter says there are opportunities to hone your kids' brains for budgeting in everyday real life too:

- » Get your tween used to looking at prices the right way by using the “price per unit” amount displayed on grocery store shelves, and challenge him to find a better deal than the one you've found.
- » Give your kids a food budget. Have them write down exactly how much they spend on Starbucks, clothes shopping, fast food and meals out with friends in one week—the grand total is almost guaranteed to surprise them.
- » When your teen requests big-ticket items like an iPod, show her how to work toward a goal. Based on her allowance, figure out the amount of money she should set aside each week, and calculate how long it will take her to have enough for the purchase.
- » If your kids want cell phones, first ask

them to research phones and plans, and make them responsible for at least part of the monthly bill. The most effective way to get them to become more selective about add-ons to their service is to require them to fork up the cash.

PAY DAY

When it comes to allowance, it's not just the amount you're concerned about—it's how they spend it. Targeted at 6- to 13-year-olds, ThreeJars.com is an interactive tool that allows children to responsibly earn, track and spend their own money by divvying it up between Save, Spend and Share jars. “I created the site because I wanted my kids to learn to live within their means,” says Anton Simunovic, founder of the site and father of six. “This recession has shown us that knowing how to use money is a life skill. If kids aren't taught how to manage their funds from a young age, it ends up managing them. In the same way that parents who want their kids to

41%

of parents who give an allowance say their kids always or sometimes ask for more money.



60%

of parents believe they need to have more conversations with their kids about finances.

be good at a sport start them young and make them practice—well, it's no different with money.”

✓ **DO give your kids an allowance.** The general rule of thumb is that kids should get half their age in dollars each week, though the family budget should be taken into consideration. Parents should also keep in mind what they expect their kids to pay for with their allowance.

✗ **DON'T let grades influence the amount they receive.** Kids should know that doing well in school is about them and their future. Encourage effort: A kid can try his best at advanced calculus and still not earn an A, so he shouldn't

GOOD CENTS

Teens love to shop, their parents want them to spend less and Leslie Muckleroy can teach everyone how to do both. The former BeCentsAble.net educator and founder of MenuMakerMom.com visits home economics classes in the San Antonio, Texas, area to share her savvy strategies with high school students. "Teens want to save on makeup, clothes, fast food and entertainment," Muckleroy says. "But they are also extremely brand-loyal and label-conscious. Helping them set up a budget and savings plan just takes a little extra communication." Muckleroy shares some of her favorite tips for helping teens be fashionably frugal.

1 } **Go to the Web.** The easiest way to save at the mall is to sign up for e-mail newsletters. All the popular mall stores, like Aéropostale, Hollister and American Eagle Outfitters, send out coupons, special deals and sale notifications. Tell your kids about the great bargains on sites like Alice.com, Coupons.com, BeCentsAble.net, CouponSherpa.com and eDeals.com, where they can look for savings on their favorite stuff, including makeup, toiletries, snacks and fast food.

2 } **Shop sales.** It may be obvious to you, but not necessarily to your kids. When Muckleroy takes her 13-year-old twin daughters to the mall, they know to head straight to the back of the store, where the discount area is typically located. Her kids are also more likely to search out bargains when she sets a clear dollar limit. "Some sale items go for a fraction of the cost of the newer clothes, so when her girls have only \$20 to spend, they're going to get a few \$5 polo shirts instead of a full-priced tee for \$15," Muckleroy says. "Your teens will learn that they can get more if they buy on sale."

3 } **Give a gift card.** When you're the one paying and your teen is shopping with friends, hand over a gift card instead of a credit card. That way she has no choice but to stick to the budget.

be penalized. There are many ways to show kids you are proud of an achievement like a great report card without having to break out your wallet.

✓ **DO let them use their own money,** because that's how they learn to value it. When it comes out of their own pocket, they're more likely to feel the impact of their spending.

✗ **DON'T micromanage.** Yes, they'll make mistakes, but the best time for them to learn from those errors is when the dollar amounts and financial consequences are low. According to a survey by T. Rowe Price, 41% of parents who give their kids an allowance say their kids always or sometimes ask for more

money. Instead of doling out more dough, ask your kid to write down every purchase. He'll see where he can cut out extras to trim his expenses.

✓ **DO set up a savings account** for your children, whether through ThreeJars or a real bank. Simunovic believes that eventually most types of banking will be done on the Internet, so it's in their best interest to get familiar with tracking and balancing their finances online now. ●

MOM *ster*
Go to momster.com/group/kidsandmoney for real-mom advice on helping your child become fiscally responsible.