**5 tips for raising money-smart kids**



Start early talking about money

It's never too early to start talking about money with your kids, says Stephen Rhodes, a former teacher, father of four, and a CFP and managing partner at Strategic Partners Wealth Management in Creve Coeur, Mo. "Begin by explaining to them why you work -- to make money for the family," he says. Explain to them the reality that the items they use each day all cost money, and you must work to make and save enough to make sure all things are paid for."

The trusty piggy bank is a good tool to use to help children learn to save, or you can choose to open a bank account in their names. "When children are 5, 6 and 7, they can't really understand the idea that one day something may happen, and you may need to rely on your savings," says Cecere. "But if somebody has a habit of saving and they always have, they will get that when they need it."

Rhodes suggests using three separate piggy banks for each child and labeling them "give," "save," and "spend." When you give them an allowance, have them divide their money into thirds to learn the importance of all three.



Get them involved in family shopping

Rather than spend your shopping time saying "no" to everything your kids want to buy, let them get involved in the shopping. It's a good way to learn how much money is required for various everyday items and begin figuring out the importance of spending wisely.

A farmer's market is an ideal place to teach a family shopping lesson, says Cyndi Finkle, a mother and the blogger behind "Practical and Meaningful." "Send (your kids) to one section of the market with a list of fruits and vegetables that you want and give them $20 to spend," she says. "They will ask questions of the vendors, figure out how much of each thing they can get and start to understand the principles of money."

To put yourself in your children's shoes, think about how it feels to go to a new country and become accustomed to the value of a different currency, Finkle says. "After a couple of purchases, you start to understand and use it more freely."

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If you want kids to learn to be smart with money, you must give them some freedom, says Susan Tordella, a parenting coach and the blogger behind "Raising Able." If you give an allowance, "allow them to spend their allowance however they choose," Tordella says. "They can buy school lunch every day and have nothing leftover, or they can buy once a week and save for a family vacation."

Finkle suggests taking your kids on a personal shopping trip with a specific amount of money to spend and no buying guidelines. "They will eke out every cent, they will be more specific on their wants, and they will end up buying more of what they really want than what their impulse buying would be," she says. To make the trip more educational, make your kids do their own math. "If they come to you in the store and want to buy three things, hand them a paper and pencil and have them add the prices together. Give them a big bill and ask them how much change they should expect -- based on the total amount of the items subtracted from the amount of money they have. These are simple, practical and meaningful money lessons.

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Model good habits

Allowances, rules and money management lessons won't be effective if your kids don't observe you making smart decisions about money, says Richard Bavaria, Sylvan Learning's senior vice president for education outreach. "Be a role model," he says. "Show how you have a savings account, how you shop wisely, how you've put off your own wants until you can afford them comfortably, one at a time. Postponement of pleasure is a grown-up characteristic, learned from grown-ups."

In addition to disciplining yourself to use smart money habits, make sure you point out to your kids how those habits work in your day-to-day life. "You have a budget and spending priorities. So should your child," Bavaria says. "Show how you set up a budget and stick to it. If you've had money troubles in the past, tell your child how it made you feel and the difficulties it caused. Talk about your work and how your salary is based on the work you do. Show how your earnings reflect the health of your business and the economy. If your family is enduring a difficult time, find a way to talk about it an age-appropriate manner."

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