



myNotebook:

 [Save this article](#)

 [Printer version](#)

 [Email this article](#)

 [Discuss this article](#)

 [Larger +](#) | [Smaller](#)

-

Money

A valuable lesson

Teaching your children how to manage and save their money is an important investment in their future. Emily Chantiri talks to the experts.

Educating children about money is one of the biggest challenges facing parents today. At the moment, basic money management isn't taught in schools and there are very few resources available to help parents do it themselves.

Constant media and peer-group pressure to keep up with the latest trends means that most children associate money with spending rather than saving. And it's easy to understand why. After all, they're growing up in a world where money pops out of automatic teller machines as if by magic, and many transactions are conducted over the phone or the internet using plastic cards.

Under the circumstances, it can be hard to grasp the concept of where money comes from, how much you can afford to spend, and how to save. (The piggy banks and jam jars that many of us grew up with are now a thing of the past!) What's scary is that most children will grow up and get credit cards before they have practised the basics of earning and managing money.

By teaching your children the basics of good money management, you'll be giving them a gift that will last a lifetime. Instead of just setting up investments for them, involve them along the way, so they're in control of

their money, not the other way round. One of the greatest benefits of learning to invest at a young age is that time is on your side; if you make a mistake, and we all do, you have time to recover and learn from it.

Begin at birth

In his book, *How to Give Your Kids \$1 Million Each!* (Wrightbooks, 2006), Ashley Ormond outlines a simple plan parents can use to teach their kids about money. He says that by simply investing \$1 a day, you'll give your child financial security for life.

If parents start the plan when the child is born and reinvest all the interest, the fund will grow to \$1 million by the time the child is 50 years old. This figure is based on the investment fund returning an average of 12 per cent per annum. Adding more money, say \$2 or \$5 a week, will accelerate the plan.

Ashley suggests parents make the \$1 a day contribution for the first 10 to 15 years, then get the child to take over, paying in pocket money or earnings from part-time jobs. This way, they get into the habit of putting money away and learn about accumulating interest.

Kaye Turner has set up the plan for her three children, Olivia, 11, Dominic, eight, and Bluey, six. "We don't give our kids pocket money just for helping out around the home - we believe that contributing to the running of the household is all part of being in a family. But there are opportunities for them to earn money by doing chores such as washing the car. This plan gives us the opportunity to help our kids learn the value of money, and it's so simple. It helps them understand the value of a dollar - they can spend it on a chocolate bar or a packet of chips, or put it into the bank and watch their balance grow.

"A friend of ours has an 18-year-old son who works part time - he's just had a credit card approved with an \$18,000 limit. For a young person with no financial skills, this is a recipe for disaster. I want my kids to understand the value of putting money away for a period of time and I'd like to teach them the benefit of compounding interest. They also need to be aware that there's a real danger that debts can get out of control when credit cards aren't used wisely."

Kaye says Olivia is excited to know she'll be able to buy something big one day. "She says she wants to buy the house next door, so she'll always be near us!"

Put a value on chores

Financial planner Greg Bell says many parents are daunted by the prospect of teaching their kids about financial management because they're all too aware of their own limitations in this field. "Often they haven't been taught about money themselves or are experiencing difficulties managing their own finances," he says.

To help parents, Greg has developed software programs that teach young children and teenagers about budgeting.

Both are based on the *ihatebudgets* Software he created for his financial-planning clients in 2002. "The children's program is more colourful and allows parents to place a pocket money value on individual chores around the home," says Greg. The kit comes with envelopes for savings, coloured markers and a detailed folder with practical tips for both parents and children. Greg's daughter, Teaghan, 12, is a fan. "I figured out how to use it the very first time - it's really easy," she says.

[read on below advertisement](#)

"I know how much I can earn because I know the value of the chores. I make \$11 dollars a week in pocket money, but I can earn more if I do extra chores like loading and unloading the dishwasher, and feeding the dogs.

"I'm saving for clothes, shoes and a swimming costume. I've told my friends that I have a budget and they think it's a good idea. I've already saved \$200."

Greg says the teenage software program is a cut-down version of the adult one. "Older kids sometimes have a few part-time jobs, so they can add two or three types of income, plus 15 different expenses," he explains.

Making cents in the classroom

In June 2005, the Federal Government established the Financial Literacy Foundation to give all Australians the opportunity to better manage their money. The foundation is working with state and territory education authorities to have financial literacy included in the school curriculum for Year Three, Five, Seven and Nine, beginning in 2008.

Primary school students will be taught using an online educational resource that places a strong emphasis on literacy and numeracy skills. Called MakingCents, the program will include games, student worksheets, internet-based materials and budgeting and spending.

High school students will also use an online package that targets the needs of young adults. The Commonwealth Bank Foundation National Financial Literacy Curriculum Resource covers issues such as earning an income, spending and saving, consumer decisions, buying a car and financial services. Students will also learn basic business principles, from planning and running a business through to the impact of technology. In addition, Year Nine and Year 10 students will have access to the ASX Schools Sharemarket Game, which allows them to invest a notional \$50,000, then research stocks and market sectors and reallocate funds over a 10-week period.

Sally Wise, a single working mum, thinks the financial literacy program is a wonderful initiative, but long overdue. "I wish it was already in schools. My nine-year-old son, Marcus, will be starting high school the year after it's introduced. He's always asking me to buy him some new thing. I'd like him to understand that he has to save up for non-essentials, which takes time, but he wants everything now.

"It's worrying how many children don't understand the value of money, and no matter how much you indulge kids, it never seems to be enough. It just places unnecessary stress on families.

"People say that kids should learn the basics of money management at home, but all the peer pressure and judgment from other kids happens in the playground. The sooner we can teach our kids about money in schools, the better," says Sally.

Is it too late?

It's never too late to teach kids about money. A radio talkback show recently asked listeners to call in with the best financial advice ever given to them. A woman called and said the best advice came when she was 18 and her uncle taught her to buy shares. She invested in shares during her working life, which enabled her to retire in her fifties and live comfortably from the dividends.

Further reading

- The Financial Literacy Foundation's website, *Understanding Money*, includes information on topics such as buying a car, moving out of home and having children. Visit www.understandingmoney.gov.au.
- To find out more about *ihatebudgets*, visit www.ihatebudgets.com.au. The *ihatebudgets* programs for children and teenagers can be downloaded free of charge. The Parents Pack costs \$111.95 and can be ordered online.
- *How to Give Your Kids \$1 Million Each!* by Ashley Ormond (Wrightbooks, 2006). For more information, visit Ashley's website, www.investing101.com.au.

Photography: Andrew Lehmann. Hair & make-up: Jay Jay Rauwenhoff.

[« go back](#)