

5 CRUCIAL TIPS FOR RAISING MONEY-SMART KIDS

BY JEAN CHATZKY



WE DON'T WANT our kids to make the same mistakes we did. When it comes to money, that can be a tall order. Before I was a "financial expert," I spent more than I earned, started saving too late, racked up half a

year's salary in credit card debt and cashed out a 401(k). I want my children — ages 13 and 16 — and yours to avoid those missteps. I want them to grow up knowing how to live within their means, put something away for tomorrow and reach for a financial goal.

Many U.S. schools don't teach basic money management, but the only way to guarantee that your offspring absorb this important life skill is to teach it at home. I wrote *Not Your Parents' Money*

Here are the important lessons your children need to learn now — and, later, to help avoid some of the grown-up mistakes we've all made.



Book: Making, Saving and Spending Your Own Money (Simon & Schuster) to start teens on a path to financial success. Here are five tips for raising money-smart kids:

Give children money to manage.

In focus groups I did with middle-school kids around the country to see what they know — and want to know — about money, I found that even

11- through 13-year-olds are pragmatic finances. They want to know how much cost them to live independently, what job those salaries and how they can earn money today, "besides babysitting." What they know is the cost of things, from a pair of shoes to a bag of groceries. To build a sense of world prices and values, give your kids money and let them decide how to use it.

In my house, we do this with an allowance. But take care: Sometimes, with the best intentions, we tell our kids they'll get their allowance on Sunday, then don't have the correct cash or put them off because we're busy, incidentally teaching them that it's OK not to pay bills on time. Or we give our kids an allowance but continue to hand out cash when they ask for it, teaching them that there's always a way out where that came from. (See story, right.)

An allowance should come with a list of types of purchases that now become their responsibility. For younger children, it might be candy at the checkout counter or the late

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ly Bandz-type fad. For older kids, it could be movies or gifts for friends. As responsibilities grow, so should the allowance.

Offer incentives for saving.

Instill the habit of saving for the future and for things they can't afford on a week's allowance. Learn from companies that offer incentives to customers and employees to lose weight, stop smoking and contribute to 401(k)s.

Decide how you want to reward your child for setting and achieving a savings goal, whether for an iPod or college. That's good practice for saving for a house or retirement.

I've found a dollar-for-dollar match to be effective. Or you could say: "For every \$75 you save, I'll add \$25."

Strongly encourage work.

My children will attest: There's a big difference between the money I give them (even as an allowance) and the money they earn. When it's earned money, a night of ice skating isn't just half their allowance — it's two hours of work. That's an important difference

to appreciate, and the only way it will resonate with your children is if they work. Unless your kids are logging more than 20 hours of work a week, research shows, it won't hurt their grades.

Talk about money.

Many of us were taught that talking about money is taboo. It needn't be. It doesn't have to mean sharing your salary, but it should include discussing the cost of things like dinner out, vacations and college, and which things are family priorities and why. If times are tough in your house, explain to your children that cutting back to ensure your needs are covered is a family affair.

One way to ensure that money lessons sink in is to let kids make mistakes.

Don't worry that a frank discussion will stress your children. Knowing and feeling as if they're doing something to help can reduce stress. (Consider Sept. 16 to have "the talk." I partnered with American Ex-

press to launch *National Money Night Talk*. You can download a free toolkit with talking points to get you through it at moneynighttalk.com.)

Let them fail.

One way to ensure that financial lessons sink in is to let kids make and live with mistakes, like a \$60 video game that turns out to be boring. Do not cave in and buy him a different game. You can point him to the program at the game store that will buy back used games at a discount. You can suggest he try to find someone to take it off his hands at swaptree.com. But don't bail him out.

Children, much like adults, need to learn: Only by carefully considering how to make the most of our money will we, and they, make the right decisions with it — at least most of the time. ☐

Contributing editor JEAN CHATZKY is the financial editor for NBC's *Today* show. Get more of her personal-finance tips at JeanChatzky.com.

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BY JAKE CHATZKY AND JULIA CHATZKY (WITH COMMENTARIES)

Jake: Our mom was bad at giving us our allowance regularly. She always fell behind on payments, and it caused disputes over how much she actually owed us.

Julia: She used to always forget when she owed us money.

(**Jean:** Embarrassing but true.)



Jake: And because I never had our own money, she dictated what purchases I could make.

(**Jean:** Also true.)

Jake: However, now we have debit cards linked to an account which is set up so money automatically transfers from my mom's account into each of ours.

Julia: It's made life easier. We never had to worry about getting money on time.

Jake: This is great, because now I have money when I want to go out with friends (though often I can trick her into giving

