

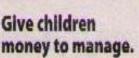
E DON'T WANT our kids to make the same mistakes we did. When it comes to money, that can be a tall order. Before I was a "financial expert," I spent more than I earned, started sav-

ing 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:



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 jo those salaries and how they can earn mor day, "besides babysitting." What they know is the cost of things, from a pair or 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 allow But take care: Sometimes, with the betentions, we tell our kids they'll get their on Sunday, then don't have the correct or put them off because we're busy, incidely teaching them that it's OK not to pay bills on time. Or we give our kids an allow but continue to hand out cash when the for it, teaching them that there's always where that came from. (See story, right.)

An allowance should come with a types of purchases that now become the sponsibility. For younger children, it is candy at the checkout counter or the late.



Cover and cover story photographs by Robert Deutsch for USA WEEKEND — Jean's wardr Lilly Pulitzer; necklace, Sonya Renee. Jake and Julia's wardrobe: Aeropostale; Julia's necklace, G Grooming: Patrycja, Halley Resources. Styling: Sadia Seymour, Halley R 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 dren that effective. Or you could say: "For every \$75 you save, I'll add \$25."

One way to

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 af-

fair. 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.

ensure that

sink in is to

mistakes.

let kids make

money lessons

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. W

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

Our electr BY JAKE CHATZK AND JULIA CHAT (WITH COMMENT

Jake: Our mom bad at giving us ou lowance regularly. always fell behind payments, and caused disputes of how much she actuowed us.

Julia: She used to ways forget when owed us money.

(Jean: Embarrass but true.)



Jake: And because never had our o money, she dicta what purchases could make.

(Jean: Also true.)

Jake: However, r we have debit ca linked to an acco which is set up so m ey automatically tra fers from my mo account into each

Julia: it's made life a easier. We never h to worry about get money on time.

Jake: This is great, cause now I have mey when I want to out with fried (though often I can trick her into giving

