

Instilling Good Financial Values in your Children

Minoti H Rajput CFP

Financial education is usually not part of a school or college curriculum. Parents are the primary source of financial information for their children and what children learn or do not learn in their younger years carries into adulthood. For this reason, it is important to help your children develop healthy attitudes about money early on. It is equally important to continue guiding them as they complete their education, start their careers, get married and have children of their own. Here are some helpful points to consider.

1: It Is Never Too Early

Education on money can begin as early as when a child is a preschooler, just learning to count. It then expands to learning to manage their allowances and first earnings from babysitting or such other jobs. By the time they are teenagers and begin resisting advice, the fundamentals may have already become a habit.

2: You Are the Best Example

Parents mold their children's spending habits and views on money. Share your personal savings strategies for big items such as college education, vacation or cars. Share information about your family expenses, so that they know how much it costs for services like cable, phone, electricity and water etc. Set an example by living within your budget and teach them the same. This becomes a foundation for sound financial planning and learning to "tell their money where to go instead of asking where it went."

3: The Importance of Saving

Living for today and instant gratification can be dangerous. Children are surrounded by tempting toys and objects. Early training in the responsible handling of money and saving for a rainy day or toward other goals will go a long way. Help them work on what percentage of an allowance or salary can be targeted towards a short term goal such as a down payment for a car or later towards a vacation and a long term goal such as a down payment for a house.

4: Sharing and giving

Involving your children in your charitable giving and philanthropic pursuits teaches them the power of wealth in supporting valued causes. Encourage them to find charities that they want to support.

5: Dictate versus guide

Children tend to rebel when they find that they are being dictated. It is important to guide and encourage them in making good financial choices. Praise their efforts and celebrate accomplishments. Teach them how to compare prices and look for good value. It is not too early to learn about banking, proper use of credit cards, the magic of compound interest and basic investment products in the teenage years. Developing sound financial discipline early on is instrumental in helping them achieve lifelong financial security. Your financial advisor can also play an important role in communicating your values, beliefs and priorities to your children.