

## **Money Management Tips for Your Child**

Saving money can be a difficult topic to understand, especially for younger children. Teaching your child the best way to save money will help with the basic understanding of money management techniques as well as financial responsibility. Children need guidance on how they should spend and save their money, as well as learning from their own mistakes. Below is a basic suggested guideline showing ways to allocate money the child has earned (allowances, gifts, etc). These percentages can be changed as the child grows older.

*Spending Fund (50%):* Money the child can use to spend as they wish. Children can learn that not all of their spending money needs to be spent but can also be put aside as savings. Demonstrating a “want” versus a “need” will educate your child that some things are more important than others. Let your child decide what they want to buy and they will learn the concept that money can be limited.

*Short Term Saving Fund (30%):* The short term savings fund can be used to demonstrate how to save for something the child desires but currently does not have the money to purchase (usually a short term savings goal such as a few weeks/months). Start by opening a savings account in the child’s name. Make it a fun process by taking them into the financial institution to make the deposit and show them the receipt of how their money is growing. Their hard work will pay off when they finally reach their goal.

*Long Term Saving Fund (10%):* Savings that will go towards a long term savings goal such as a car or college. Most parents can match the amount a child saves to help the balance grow over time.

*Helping/Giving Fund (10%):* Many families have the belief that giving is just as important as saving. Examples are putting money towards a charity, helping a family member with a purchase, or donating to an organization or church. Set a good example by donating too and acknowledging their generosity.