

Tips to Teach Kids About Money

Eight tips to get them started

Where to Start

Think about your own financial education. Did you learn how to manage money at home, in school, or simply through trial and error?

Having a good understanding of personal finance provides a significant advantage in adulthood. Unfortunately, today's youth are not receiving adequate guidance for how to budget, save, and invest. Without these skills, one can struggle with overspending and insufficient savings. It can take years to develop healthy financial habits, therefore it is important to start young.

As parents, guardians, or mentors, it is our responsibility to help prepare the next generation for financial success. Below are eight practical ways to introduce money habits during three key stages of a child's life.

When They Are Young

1. Teach the value of money

Start by helping children to understand that money represents both freedom and responsibility. Even a small allowance can be a powerful teaching tool, especially if it is tied to chores. Once children earn money, encourage them to make their own spending decisions. Learning from both good and not-so-good choices is a part of the process.

2. Prioritize saving

Children will inevitably want items that exceed their allowance. Use this as an opportunity to teach delayed gratification by encouraging them to save a portion of what they earn. A simple rule, such as setting aside 10% of every dollar received, helps them to build positive saving habits. Starting a savings fund can help them to begin thinking about both short-term and long-term savings goals.

3. Open an account

As children grow, particularly into their preteen years, consider opening a custodial account. This can teach them about ownership, decision-making, and



the importance of research. Reviewing account statements together can make saving engaging and educational.

Below are two risk-free ways to watch your child's savings grow:

Certificates are a great way to build savings by earning higher dividends when compared to a savings account. Certificates require a deposit for a specific term length. In return, the member earns dividends at a fixed rate.

Money Market Accounts are a type of savings account that offers higher dividend rates than a traditional savings account. Since your deposit does not require a term length, this is a more flexible option than a certificate.

When They Are Teenagers

4. Encourage a summer job

A part-time or summer job not only teaches teenagers the value of hard work, but also provides firsthand experience with earning, budgeting, and saving their money. Paychecks offer an opportunity to reinforce lessons about saving, responsible

spending, managing their financial institution account, and paying taxes.

5. Introduce them to credit

Consider adding your teenager as an authorized user on one of your credit cards. This ensures that they have access to funds in case of an emergency, such as a flat tire. More importantly, it gives them a chance to practice responsible spending, especially if you require full repayment for every dollar they spend.

Use this time to explain how credit works, including how it differs from debit cards. Discuss the benefits of building a positive credit history, along with the risks of revolving balances and high-interest debt.

Building credit with our **secured Mastercard® Plus credit card** is easy. With the same great features as our existing **Mastercard Plus Rewards card**, the secured card option is a perfect fit for those wanting to start their credit journey.

Our secured Mastercard® Plus credit card is unlike a traditional credit card, as it requires funds on deposit. The deposit acts as collateral and becomes your credit limit. For example, if you have a \$200 deposit, your credit limit will be \$200. A secured credit card is a great way to teach responsible credit card use.

6. Consider a Roth IRA

If your teenager has earned income, they are eligible to contribute to an individual retirement account (IRA). A Roth IRA is often a great choice for young savers. Contributions are made with after-tax dollars, but withdrawals in retirement are tax-free.¹ By contributing early, while earnings are low and tax rates are low, teenagers can benefit from decades of potential compound growth and tax-free income later in life.

When They Are Young Adults

7. Help them set a budget

Once your child begins their first full-time job, guide them through the process of building a budget. New graduates often underestimate everyday expenses such as groceries, utilities, and transportation.

Teach them the difference between fixed expenses and discretionary spending. A few examples of fixed expenses includes rent, insurance, and car payments. On the other hand, a few examples of discretionary spending includes entertainment, clothing, and dining out. Learning to prioritize essentials before splurging helps to prevent any shortfalls at the end of each month.

It is also helpful to review their employee benefits together. Make sure they understand how to take advantage of opportunities such as health insurance, retirement plans, and any employer matched retirement contributions or 401(k)s.

8. Reassure Them They Are Not Alone

Transitioning into financial independence can be overwhelming. Remind young adults that it is normal to have questions and make mistakes along the way. Encourage them to seek advice, use available resources, and remember that financial growth is a lifelong journey. With steady guidance and the right tools, they can build a secure financial future.

APCI Federal Credit Union and You

APCI FCU is proud to offer **online learning modules** to teach financial education to our young adult members. There are three engaging playlists of content, including:

- Roads to Financial Literacy
- Pathways to Savings
- Journey Through the Economy

Each playlist is made up of three to five 10-minute modules. The modules are developed for 7th-12th grade students and feature relevant storylines, diverse characters, and fun interactions to engage students around critical financial topics.

¹If you take a distribution of Roth IRA earnings before you reach age 59½ and before the account is 5 years old, the earnings may be subject to taxes and penalties. You may be able to avoid penalties (but not taxes) in certain situations. If you're older than 59½ but haven't met the five-year holding requirement, your earnings may be subject to taxes but not penalties. Consult IRS rules before contributing to or withdrawing money from a Roth IRA.