



ADAPTING TO CHANGE

Fishing Families, Businesses, Communities, and Regions

Teaching Children about Money

A Publication of the Adapting to Change: Patterns of Involvement Project

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Money. It's a necessity. It can bring joy or cause fear and resentment. It's powerful. Yet, despite its importance in the life of every family, we as parents shy away from open discussion about money. We often fail to teach our children lessons essential to the critical development of their financial literacy.

"Money isn't *dirty* or *wonderful* or *magic*; it's really just a convenient device that makes it easier for us to trade one thing for another."¹ But it's something that every person would like to have more of. We allow it to take on greater meaning than its basic function as a medium of exchange.

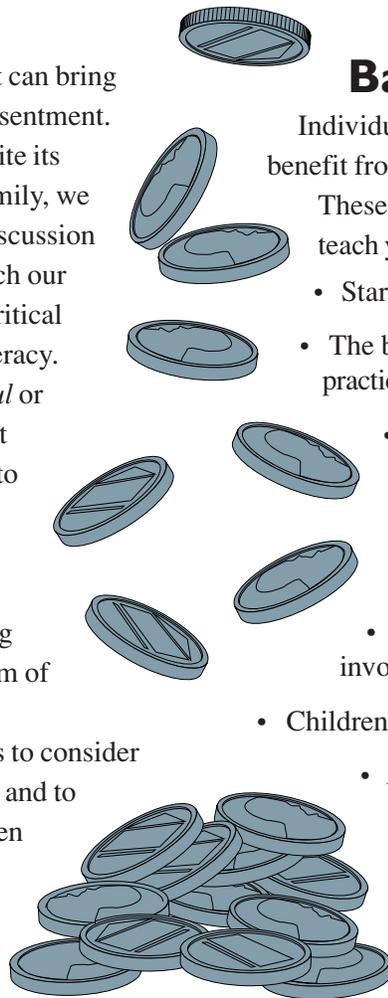
The intent of this publication is to consider basic principles related to money, and to suggest ways to teach your children important lessons so necessary throughout their lives.

Basic Lessons

Individuals of all ages, children and adults, benefit from certain basic lessons about money.

These are good foundations for what you teach your children:

- Start young.
- The best way to learn about money is to practice.
- Money earned is money valued.
- Money has unpleasant aspects, too.
- Money doesn't grow on trees (or inside ATM machines).
- Money—both getting and giving—involves emotions.
- Children model what they see.
- Allowance—yes; handouts—no.
- Use money wisely and respectfully, and not always for yourself.
- Don't confuse love with money.



¹*Making Cents: Every Kid's Guide to Money*. Elizabeth Wilkinson, Little, Brown and Company, 1989.

Money and Children Through the Ages

Infancy: birth to one year

Obviously money has no meaning to children of this age. But parents certainly feel the financial crunch from expenditures for diapers, formula, strollers, and child care. It may be hard to have a long-run perspective when your baby demands attention every few minutes, yet this is an important time to begin long-range financial planning and saving for the future.

If you were able to save \$500 per year, beginning with the initial deposit on your child's first birthday, and you could earn 4 percent on your money, by the time your child was 18 you would have saved \$11,849. That amount would provide a good start toward a community college education, but it wouldn't fund a four-year degree.

Toddlerhood: 12 months to 3 years

Children start learning about money at younger ages than parents realize—long before parents recognize the need to teach basic financial concepts and values. Children learn by watching and by listening to events in their lives.

Beginning by age three, toddlers learn to use coins for pleasure. How often have you provided coins for candy machines, or for swirling into a barrel? At this age they will not distinguish between coins, believing that any coin will serve the purpose. But you know that pennies won't buy much anymore.

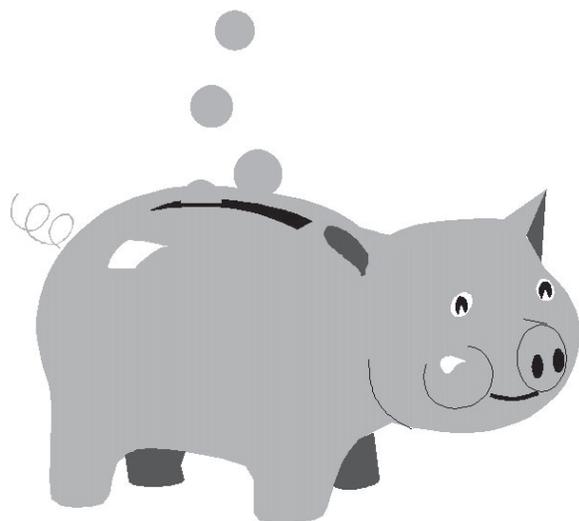
Even with children at these young ages, it's best to set clear boundaries and expectations about money. Although sometimes it can be a hard lesson for them, children must understand that they can't have everything—that there is a limit to the family budget.

Ideas for Infants and Toddlers

1. **Piggy bank savings.** Buy a see-through bank for your little one's room. Toss in your loose change to develop a pool of savings and help

your child begin learning about money. Show your child the bank. Let the child give it a shake. Starting about age two, let them drop in the pennies and see the pile grow.

2. **Toddler allowance.** It's best to associate allowances for toddlers with an event rather than a regular schedule. Plan ahead, for and with your child. If you're going on an outing where there will be vending machines, give the child a set amount at home. "Here's a quarter for you to buy candy in the machine today. I'll help you think about which vending machine you want to put it in."
3. **Limits.** Determine how much you are going to make available to your child for spending, and stick to your limit. Communicate to your child so as to establish clear expectations on his or her part. The best way to ward off the "Mommy, buy me" syndrome is to develop patterns that eliminate it from an early age.
4. **Wallet or purse.** Children feel powerful when they have their own money. But they must learn safekeeping. Provide your child with a wallet or purse; most would be proud to have a hand-me-down from Mom or Dad. If you want to offer a new one, give your young child a set amount of money sufficient to buy a purse, and then take your child on a special shopping trip.



Preschool: ages 4–6

Children begin to sense the power of money at this age. It feels magical to them since it can help them get something they want. Children understand the relationship between money and buying. They won't understand why a candy store clerk must get money for a lollipop, but they will understand there's a rule that you must pay for it.

Children at this age will not make any distinction between a store owner and a clerk, with one exception. Preschool children have begun to understand the concept of ownership—*mine!*—so if your family owns a fishing boat, take your child to visit the boat and help him or her appreciate that it belongs to your family.

Ideas for Preschoolers

1. **Coin collection.** Start a coin collection for your child by contributing 41 cents—a quarter, a dime, a nickel, and a penny. Help your child make a display for the money. Label the amounts clearly. Use symbols, such as 10 fish to represent the value of a dime, to help your child grasp the concept of different value. Play games to help the child distinguish between the coins.
2. **Pennies in the street.** Anytime you spot a dropped penny, encourage your child to pick it up to save. Offer to store the penny until it's safely washed and in the child's bank.
3. **Playing store.** Help your child accumulate some things to sell in a play store—a few cans, boxes, even little toys. Design price tags for the goods, remembering to set prices from a child's perspective, with 5- and 10-cent items being popular. Provide some play money. Help the children divide up tasks: shoppers and clerk. Remember that the objective is for them to experience the fun of shopping and of basic money exchange.



Middle Childhood: ages 7–12

In middle childhood, children gain vast knowledge about money and related concepts. They learn how to work with different denominations; they certainly learn that paper money is more valuable than coins, which may seem more fun to handle. They definitely associate money with excitement. They understand that it's not okay to take money from others, although they may try a time or two.

Children at this age are capable of understanding the concept of saving. They learn about saving best as they practice spending, and discover that there are things they want to buy that cost more than they have. For example, if your son wants an expensive skateboard badly enough, he'll be willing to save his allowance for weeks and weeks. So, they sometimes decide to wait until they have accumulated enough for the more costly item, and learn the benefits and commitment of saving in the doing.

Encouraging a child to learn the benefits of saving is much more effective than trying to force a child to save. It's not even a bad idea to give a child a little surprise boost in a savings project... but only after the child has shown his or her commitment to the project and is close to the

desired goal. Just be sure that your child understands the gift, and doesn't develop a sense of entitlement. You don't want your child to expect that you will always put up part of the cost.

As children of this age develop social awareness, they will discover that some children have more money than others. It's a really important time to talk about core family values, and what really matters.

Students of this age understand that different things cost different amounts; a milkshake costs more than a soft drink. They will learn to read prices, and to determine whether they have enough money for something they want.

Ideas for Middle Childhood

1. **Learning allowance.** Give your child an allowance—one appropriate both to his or her age and to the family's income. Make it regular, so that your child can rely on its coming—that \$5 will always be given on Saturday. Otherwise, in not getting it, they will feel deprived or even punished. As much as possible, have it be controlled by the child. It's not unreasonable to expect children to help out at home—to make their beds and clear the table—but be sure the child understands that those duties are expected because they are on the family team and that the allowance is not pay for those duties. If the child fails to perform regular duties, limit other privileges rather than cutting allowance.

Mom might clarify that she will pay for Saturday movies, including a drink and popcorn, but that candy or video games will come from allowance, and that there is a one-box-per-movie limit on candy. (Children who pay for their own candy at movies sometimes quit eating candy there, even though they would be glad to have it if Mom were buying.)

2. **Jobs.** Children can be offered pay for extra work, if that work is genuinely needed. Non-routine chores such as shining shoes or raking leaves might be appropriate jobs. Discuss with your "worker" what is expected as part of the family routine, and what is extra. Set a reasonable rate of pay—enough to encourage involve-

ment, teach the value of hard work, and be affordable by the family.

3. **Fish being sold.** Take your child to see fish being sold. Explain in simple terms that the money pays for the boat, its fuel, food for the crew, taxes, and wages for the people, including Dad. Make a fish puzzle, labeling the pieces to identify where the dollars go.
4. **Birthday gifts for friends.** First, clarify whether the child is expected to buy gifts for friends from allowance. If not, set a reasonable limit on the amount spent. Be sure to specify that the limit includes a card and wrapping, maybe even suggesting that a handmade card and newspaper comics as wrapping would be economical and fun.



Teenage Years: 12–18

The sometimes tumultuous adolescent years involve important lessons about money. Teenagers have increased expenses for social and personal obligations. Movies, dances, snacks, and clothes for growing bodies can add up to substantial amounts. Teenagers become acutely aware of others' possessions and compare their "well-off-ness," perhaps feeling resentment if they can't afford what peers have. Their self-esteem may be

tied to how much money they have in their pockets. For example, a teenage boy may feel that he's not attractive to girls unless he can afford to take them to the movies. Teenagers may rebel against their parents' standards and patterns of family thrift. They may become critical of economic failures.

Teenagers desire freedom in their spending choices and want to be involved in financial decisions. They may resent parental limits or guidance yet express anger or confusion in the absence of boundaries—especially after they've made poor choices, such as spending a lot of money on a new video game and then realizing that they haven't saved enough to go to the school dance.

Involve your teenagers in family meetings about money. Their input is important. They need to feel heard in order to be understanding listeners themselves. Be honest with them about the family's well-being; they are old enough to appreciate being different from others, whether richer or poorer. If your family is struggling, they may not like what they hear. It's still better to be honest, with compassion.

Having a way to earn money is important for teenagers; it provides them an opportunity for learning responsibility about jobs. Jobs also can help the family as it becomes harder to provide teenagers with all the spending money they desire. Strategies about allowances also are critical at this age.

Ideas for Teenagers

1. **Allowance covering essentials.** Increase the learning allowance to cover school supplies, basic clothing, and other essentials. Develop a realistic budget with your teenager to enhance his/her understanding of how the amount of the allowance was determined. Establish guidelines as appropriate, such as "Skipping lunch is not okay." Another guideline might be: "Warm clothes are appropriate for cold weather." Let your teenager choose whether that means an expensive new coat from the department store

or sporting goods store, or whether it means finding a suitable second-hand jacket.

2. **Banking and checking.** Teach your teenager about these financial concepts. Introduce your teenager to your banker or find a financial institution that welcomes young savers.
3. **Debit/credit card.** Help your teenager understand and learn to manage credit. Start with a debit card (or "check card"), which works like cash. Then help your teenager get his or her first credit card, with about a \$50 limit. You'll probably have to co-sign. Make the teenager responsible for payments. Teach about the high interest costs on credit cards.
4. **After school and summer job.** Help your teenager determine how much time he or she could devote to a job, without jeopardizing school progress and without eliminating social activities. Guide in the job search process, but let your teenager experience the pride of finding his or her own position. When he or she is old enough, and if the situation permits, invite him or her to work on the boat, or in the fishing industry.
5. **Car, gas, insurance.** If your teenager wants a vehicle, and it's at all affordable by the family, develop a written budget for cost sharing. Having the teenager pay a portion of the insurance and all of the gas for personal use can provide good lessons on the real costs of life.



Money is a necessary tool, for adults and for our children. It is a commodity of exchange, used to provide for our basic needs and to bring pleasure from things beyond the basics. Because elements of money can become so quickly linked to a variety of emotions and because lifelong patterns start early, teaching children basic lessons about money is critically important. Start today, by writing a list of the key monetary values you want them to learn. Then develop a plan based on their ages, and begin or expand your teaching.

Resources

Reading materials

Wilkinson, Elizabeth, *Making Cents: Every Kid's Guide to Money, How to Make It, What to Do with It*. Little, Brown and Company, 1989.

Estess, Patricia Schiff and Irving Barocas. *Kids, Money & Values: Creative Ways to Teach Your Kids About Money*. Betterway Books, 1994.

Weinstein Grace W. *Children and Money: A Parents' Guide*. Signet, 1985.

Glenn, H. Stephen and Jane Nelson, *Raising Self-Reliant Children in a Self-Indulgent World*. Prima Publishing, 1989.

Godfrey, Neale S. *The Kids' Money Book*. Check-board Press, 1991.

Games that teach children about money

Monopoly

LIFE

The Allowance Game (exclusively from Toys to Grow On at 1-800-542-8338)

Other publications of interest to fishing families

Like this publication, the following are products of Oregon Sea Grant's joint research-outreach project:

Adapting to Change: Fishing Families, Businesses, Communities, and Regions. They are available, free of charge, from:

Oregon Sea Grant Communications
402 Kerr Administration Building
Oregon State University
Corvallis, OR 97331-2134
541-737-2716

E-mail orders: seagrant@ccmail.orst.edu

"Connecting with Fathers at Sea." A. Zvonkovic, T. Trosper, M. Manoogian-O'Dell. 1996. ORESU-G-96-005.

"Survey of Gillnetters in Oregon and Washington: Summary of Results." J. Gilden and C. Smith. 1996. ORESU-T-96-001.

"Survey of Oregon Troll Permit Owners: Summary of Results." J. Gilden and C. Smith. 1996. 16 pp. ORESU-T-96-002.

Oregon Sea Grant's publications directory can be found on the World Wide Web at:
<http://seagrant.orst.edu/sgpubs/toc.html>

A Note from the Authors

This is one of several publications planned to address issues brought to our attention by Pacific Northwest fishing families. If you have ideas for more, contact:

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Sea Grant combines basic research, education, and technology transfer to serve the public. This national network of universities works with others in the private and public sectors to meet the changing environmental, economic, and social needs of people in the coastal, ocean, and Great Lakes regions of the U.S.
