

# PREPARING YOUR CHILD TO BE FISCALLY RESPONSIBLE

## Money Management Skills for Any Age

■ by Lynne Scherschel, MS, LMFT



College students often run aground financially when they leave home unless they had training in money management skills. These skills are best taught early, even when a child is four or five. The steps listed below for each age group are based on early training, but it is important to begin with your child at whatever age s/he is. In order to do that, it may be helpful to give an age-appropriate allowance, as well as to occasionally allow the child to do extra jobs around the house to earn money for something they want. It is imperative, however, for both parents to be engaged and committed to the process at whatever age you begin.

### Ages 4-6

A small allowance and gift money may be divided among two small jars to designate the goal for their money: tithing and spending. Tithing is one of the most important money-management skills!

### Ages 7-11

Children this age can be more responsible and can learn to designate money not only for their tithing and spending but also for saving. Savings goals should be discussed, and parents must be firm about expecting them to save for their goal and not give them extra money to bail them out.

### Ages 12-14

At this point, children can be a little more forward thinking, especially if they have been budgeting previously. If not, parents will need to help them more to get started. I recommend giving them control over the things that most interest them, such as games, hobbies, and athletics, as well as their tithe. The amounts for each category should be discussed and the allowance increased. This action gives the responsibility for these expenditures to the child, and parents must refrain from bailing them out when they overspend. This is probably a good time to switch to the envelope method of budgeting, if you haven't already.

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### Ages 15-16

Teenagers tend to have serious additional interests, such as going out with friends, dances, clothes, and so on. It is important to give them responsibility for their priorities, increase the allowance, and refrain from bailing them out. If they run short in a category, discuss with them the concept of moving money from one category to another, prayerfully considering what to put off or give up in another category. Isn't that the way adults do it (hopefully)?

### A Crash Course in the Envelope Method

1.) Create categories, such as groceries, dining out, and gas. Decide what your monthly spending limit will be for each category.

2.) Label only one envelope per category, write the monthly budgeted amount on the envelope, and put the money inside.

3.) When you go shopping or pay a bill, take with you the money from the appropriate envelope.

### Ages 17-18

If you haven't already begun budgeting with your child, now is the time! It is important for the high school senior to take full responsibility for all of their expenses, except housing and food. It is also important to have a discussion of all other expenses, including eating out or buying special snacks. Give them the responsibility to research the various categories in order to determine how much they will need for each fund and then to discuss with you, so they can be fine-tuned if necessary. It is important for both parents to be involved in this. The student needs to consider whether or not to buy, for example, very expensive shoes, as opposed to spreading out the money. For families with limited income, learning to buy as much as possible at thrift stores and then careful spending for the rest is very important.

I recommend that the student have a checking account with a debit card at this point so that they can learn to balance the checkbook while they have parents to help. It is also an opportunity to manage the debit card and to learn the pitfalls of "flipping the plastic" frivolously. There are also some useful, free budget apps, such as Dave Ramsey's "Every Dollar", which includes online budgeting advice and email information. Another app is "You Need A Budget (YNAB)", which costs about \$8/month with a 34-day free trial and allows parents or spouses to be involved. Of course, that is only helpful if the student keeps it up-to-date and is honest about the expenditures. It is also important to monitor their bank account.

Hopefully these suggestions will help avoid some of the financial pitfalls students encounter when they are away from home. Praying for them and teaching them that God is their provider is paramount, but they must also learn to be good stewards of God's provisions. ■

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