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September 2006 issue | Retro Coin

No kidding

by *Kelley Keehn*

Kelley Keehn, lecturer, business coach, corporate trainer and author of three books, including The Woman's Guide to Money, uncovers "inner games" we play surrounding wealth. As a financial professional for more than a decade, she's developed a fun, practical guide to changing your money mindset at a fundamental level.

The back-to-school season for many parents can be extremely draining on the pocketbook. With expenses and wants increasing as fast as oil prices, what's a parent to do? And at what age should spending and savings guidelines be initiated and implemented?

This simple step-by-step guideline will encourage flexibility, positive saving and spending habits over time for your child and even introduce them to the benefits and potential dangers of credit cards.

Ages 5 & under:

- This is a time for your child to have fun with money. A simple piggy bank for saving all money your child receives is sufficient. This bank should be emptied as the child desires. This is a time to teach your child about dollars, coins, their value and what they can purchase. Keep the spending and filling of this bank fun and pleasurable.

Ages 5-10:

- This and all age categories should keep a piggy bank, in addition to other accounts, to ensure a portion of their income is always enjoyable. A second "account" is now introduced to this group, called a "targeted savings bank." Help your child determine what percentage is split between the two banks (i.e. 50/50, 40/60).

The targeted savings bank is ideal for items that require advanced savings, such as a summer pass to the swimming pool, a new super soaker, or a pre-paid cellphone in the future.

The subject of allowances is an ideal and recommended topic for this age group.

Ages 10-15:

- The piggy bank and the targeted savings account are still used. The additional account for this age group is a "long-term savings account." The percentage allocation between the three accounts should be discussed, with the child having a say.



This new account requires long-term savings and goal setting. The end desire may be a trip to Europe the school will be taking in the next three years, for example. Keep in mind that a teenager or child does not consider "long-term" savings quite the same as an adult.

Ages 15+:

- This last age group utilizes all of the banks and accounts as described with the addition of a "credit account." In a few short years, your children will likely have the opportunity to receive their first credit card. If they don't understand interest charges and responsible usage guidelines, they may think their available credit is money to spend.

Determine a credit line of sorts between you and your teen. There might be times when a snowboard or new rollerblades are on sale and all their other savings have been depleted or allocated.

Set the amount of credit the teen has available, the terms of payback, any interest you would like to charge and the ramifications for default or non-payment.

Only a parent knows the financial astuteness of their child. The above guidelines are just that. Have fun and keep the saving, spending and credit usage of your child simple.

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