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Teach your kids about money

By JOEY FITZPATRICK Personal Finance | 6:13 AM



WOULD YOU LIKE to be filthy rich?

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How about filthy, stinking rich?

Language reveals a great deal about our unconscious fears and desires. The words we choose to use ultimately affect our thoughts, actions and even financial well-being.

Kelley Keehn isn't a neuroscientist. But she is a successful investment professional, and she explores the connection between language and wealth in her book *The Prosperity Factor for Kids*. Coins and bills may indeed be crawling with germs, having been passed through many hands. But Keehn writes that we are setting up ourselves — and our kids — for failure if we think of wealth itself as dirty.

"Who would want to be considered filthy or dirty or wrong?" she asks. "We'll just stay poor, broke or at our less-than-ideal state so as not to create a wrong situation."

She suggests, rather, that when talking to young children about money, we compare it to fruits and vegetables — good for us but in need of a good washing before being eaten. Since it isn't practical to wash money, it shouldn't be put in the mouth.

But finding money can be fun. Keehn recalls playing a game with her brother when they were kids. To keep them occupied while shopping, their mother would encourage them to look for money on the floor.

"We'd always find some and so I find it curious now, as an adult, how little I look for money on the ground," she says. "Generally, what you focus on you will get, but you have to be looking for it."

Parents of kids between six and 10 should encourage saving for desired expenditures in the near future, such as a school outing or a sporting event. Focus on events less than one year in advance.

"This is an ideal opportunity for prioritizing expenses with your child and empowering them to pick items that fit into the budget," the author says.

As the kids get a bit older the planning can become more long-term. The goal might be a school trip to Europe that can require hundreds or thousands of dollars.

"As you know that the money won't magically appear to fund this trip, enlisting your child's co-responsibility and creativity for finding the funds will be essential."

The stakes get higher as the kids reach the late teenage years. Anyone 18 years of age can get a credit card, and kids can get one even earlier if a parent will co-sign. But credit cards don't come with wisdom. Many young people with their first credit card fail to grasp the consequences of misusing credit.

"They get a card with a \$2,000 limit, and they think they have \$2,000 to spend," Keehn says. "It's like that limit is some kind of target they can try to hit."

NEWS

- » Front page
- » Metro
- » Nova Scotia
- » Canada
- » World
- » Business
- » Sports
- » Entertainment

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- » Editorials
- » Columnists
- » Letters/Feedback



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- » Direct From Afghanistan
- » The Daily Dexter
- » Art aMusement
- » Blossoms and Blizzards
- » True North
- » the indie scene
- » It's always sunny in Hubbards
- » Musings
- » CATO
- » Going Where the Silence is
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- » [The Near North](#)
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She advises parents to help prepare their kids for the real world by creating a credit system in the home. Let the child borrow from "the Bank of Mom and Dad" and learn the benefits and pitfalls of credit in a safe environment. Set a credit limit, interest rates for outstanding balances and minimum monthly payments.

"The amount doesn't matter as much as the rules and the lessons for paying back that which was borrowed," Keehn writes. The penalties for late payments or other abuses of credit can include additional fees or suspending the account altogether.



"Try to keep the penalties as realistic and close to those of actual credit card companies as possible," the author advises. "If mistakes are being made continuously, review your child's income, and re-explain the credit system and its purpose."

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- » [At Home](#)
- » [Books](#)
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- » [Science](#)
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Joey Fitzpatrick is a Halifax writer

[Back](#)

[Back to top](#)

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- » [Births](#)
- » [Cards of Thanks](#)
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- » [Milestones](#)
- » [Obituaries](#)

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Edith Wharton

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