



Features

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Easy money

Teach your kids what cash can (and can't) buy, and help them grow into fiscally responsible adults.

By Molly Lyons, Photographs by Charlotte Jenks for Jeff Harris studio
play with money

In a city where Fresh Direct deliveries, dry cleaning and Amazon boxes show up at your door as if by magic, and where extreme wealth shares the sidewalk with severe poverty, it's natural for parents to worry that they might be giving their kids a deeply screwed-up sense of money. *Time Out Kids* spoke to parents and pros to find out how you can help your offspring understand and appreciate the value of your family's bottom line, and raise them to be financially adept later in life.

The easiest way to help little ones comprehend why you go to work each day is to let them play with money. We're not talking about allowing your toddler to get into your mason jar of pocket change (coins are a massive choking hazard), but about letting older tots (at least age three) handle the currency. "Because kids today don't see cash often, thanks to credit cards and online bill paying, it's not always a tangible concept for them," says Kelley Keehn, author of *The Prosperity Factor for Kids*. (Note: Whether or not you're filthy rich, money is truly dirty—wash coins in dish soap and hot water before giving them to your child.)

Kensington, Brooklyn, mom Stefanie Gunning's three-year-old daughter, Emmy, can already distinguish coin denominations. "She loves to put coins in her piggy bank or stack them up by size," says Gunning. "She'll say, 'I need a big, big quarter,' or 'I love a little, little penny.' She has no idea that money is for buying things. It's just another toy right now."

That's okay, say experts. The point is to give kids a familiarity with cash from an early age so it will be easier to have in-depth discussions later on. Gunning says that she hopes Emmy's play will be the beginning of a lifelong dialogue between her and her daughter. "In so many families, money is a taboo subject, and as a result many people get launched into the world without a real sense of how to save, budget, invest or give to charity," says Gunning. "We want Emmy to feel empowered to manage her own money and to make good financial choices for herself. These are all lessons for another day, but you have to start someplace."

As your child approaches school age, you can discuss coin sizes and the images on each piece of currency—or have him collect a quarter from each state. You can also begin doing the math—explain how five nickels add up to a quarter, for example. Then move on to showing him what money can buy—like a book or a Matchbox car at the toy store. Playing board games like Life and Monopoly can be a fun way to improve his proficiency with money, too.

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Of course, money represents a lot more than penny candy, and nowhere is that more evident than in New York City, where on his walk to school your child may see a homeless person sleeping on a stoop, while a classmate is dropped off in a chauffeured Escalade. For the most part, kids begin to pick up on the inequities around the time they start elementary school, where they can compare things like who has more Webkinz.

Jennifer Geddes says her daughters, ages nine and six, became money-aware around kindergarten. "When they ask why they can't have or do something their friends have or do, I just explain that every family works differently and that's not the way we do it," says the Hamilton Heights mom. "I tell them there are lots of people who have more money than we do, but there are also those who have a lot less." Geddes makes use of the opportunities that come up day to day to talk to her kids about the value of money, like when they ask to take a taxi home or buy something pricey at the store. "I'll explain why I choose not to spend money on that particular thing right now, and they usually see the logic of it." Janet Bodnar, author of *Raising Money Smart Kids*, agrees: "Giving your children a sense of limits is key, so they see for themselves how far money will or won't go."

Your kids may grasp that they can survive without a screening room in their apartment—or even without a second American Girl doll. But teaching them about families that are truly needy is just as essential. And that, too, is something you can begin early in their lives. One Tribeca mom introduced her son to the habit of giving when he was just four months old. “I know it sounds ridiculous, but that’s how old he was when Hurricane Katrina hit. We gathered all the clothes and toys he didn’t need anymore and packed them up. Then we propped him among the donations and took a picture so that later he’d know that giving back was part of who he was from the beginning,” she explains. Even today, at two, her son drops coins into the box for the Jewish National Fund that the family keeps by their kitchen sink. “It’s important to make giving a routine. It’s not about how much you give, but that you give,” she says.

“You’re planting the idea that as citizens, they have to care for others,” says Yvonne Brooks, author of *Kids Finance 101*. And there are many ways for children of all ages to participate, from collecting toys, clothes and coats to donate, as Geddes’s daughters do, to putting aside some of their own money (see below) to give to a local animal shelter or food pantry. It’s a habit you’ll be happy to see them continue into adulthood.

Philosophies about allowances differ from household to household. “Some parents and experts feel it should be tied to chores and others don’t, but the main thing is to not tie it to good or bad behavior,” says Keehn. Experts stress that an allowance is a learning tool—it’s a way for a child to practice earning, spending and saving when the upshot of making a mistake is small.

Cobble Hill dad Howard Halle says that while his 11-year-old daughter, Miranda, doesn’t get an allowance each week, she’s given cash on an as-needed basis. If she goes to a friend’s birthday party at Six Flags or a fair at a friend’s synagogue, he and his wife give her about \$20 for sundry expenses. Halle adds that Miranda recently earned money by babysitting and is also allowed to keep gifts of money from relatives.

Determining how much allowance to give can be tricky. While a national survey showed that nine- to 11-year-olds rake in an average of \$8 weekly, and 12- to 14-year-olds pocket around \$11, a *Time Out Kids* online poll found that 78 percent of NYC five- to eight-year-olds receive up to \$5 weekly and 46 percent of nine- to 12-year-olds get between \$6 and \$10. Bodnar recommends that one way of settling on an amount is to decide what you want your child to be responsible for financially. “Give them one thing, starting around age seven or eight, that they are in charge of paying for. It could be their movies with snacks, or later, their nonschool fun clothes.” Figure out how much those items cost, and then assign an allowance that will cover them.

If you choose not to hand out an allowance, there are other ways you can foster wise spending and budgeting. Let your kids be in charge of dinner one night: Pick a takeout menu from the pile and give them a limit as to how much they can spend (don’t forget to have them factor in the tax and tip). Or give them a budget for one week’s groceries, and then take them to the store and have them decide what to buy. Let them have a little money for a souvenir or snack at a baseball game and see if they blow it all before the second inning. The point is to help them practice choosing how to spend their money.

While kids may not be contributing to the family’s purse, letting them earn money helps them learn how to make smart decisions. Beyond allowances and birthday and holiday checks from grandparents, your kids can earn extra cash by assisting an elderly neighbor with things like setting up a DVD player, or watering another family’s plants when they’re away. Kids can hold stoop sales, or virtual garage sales on eBay. Because the idea is to earn a little spending money and not to amass a great fortune, they won’t have to forgo soccer practice or math homework to fit small money-making opportunities into their schedule.

One East Village mom says her daughter “learned quickly that working was the way to get cash, but there wasn’t much work out there for an eight-year-old, except for cat-sitting, which she did and continues to do. She started out at \$1 a day and is now up to \$2 a day per cat.” An enterprising West Village family gave a farmers’ market twist to the classic lemonade-stand concept: “Last summer, Izzy and Jack, who were nine and six, had the most amazing garden growing on their windowsill,” says their mom, Elissa Stein. “When their tomato plants were getting too big to be inside anymore, they decided to set up a table in front of the building and sell them. They spent a morning with their dad repotting plants into individual cups; then they made a great sign and set up for business, selling each plant for \$2. They made \$10 that day, and were completely thrilled that they’d found a way to make money themselves and that their tomato plants were being added to five different gardens.”

Once your kid has money, it’s important for him to learn how to save as well as spend. “For the under-five set, deposit a percentage—no less than 20 percent—of the money in a piggy bank as a short-term savings fund,” says Keehn. Help your child choose a savings goal for the money—a toy or book that she’ll be able to buy with about three months’ worth of savings. Skip the real bank, Keehn adds: Not only do kids that age actually need to see the money, but they don’t have the attention span to wait too long to achieve their savings goal. The rest of their cash should be fun money for them to spend as they wish on things like Mister Softee or Pokémon cards.

As your child gets older, around age ten or so, add another piggy bank for longer-term goals, like tickets to a concert or an iPod. “Make sure the goals are simple,” says Bodnar. “Don’t have them save for college, for example, as it’s so far away.” (You can think about saving for college though—see page 25 to learn more.)

Keep in mind that little ones have different personalities; don’t be dismayed if one child hoards her money, while her brother spends his the minute he hits his savings goal. “They’ll each learn to make their own money mistakes. Hands-on money management is the best way for children of all ages and income levels to learn,” says Bodnar.

As kids head into their teens, you can introduce the idea of saving for college and beyond. When Greenwich Village mom Nanette Burns started giving her daughter Nicole, now 16, an allowance at age 12, she also put a weekly deposit in a savings account for her. "We gave her \$5 of fun money each week, but also matched that with \$5 in her savings account." When Nicole turned 15, her parents raised her allowance to \$10 weekly with a \$10 savings contribution.

There's no guarantee that talking to your kids about money now will mean that their future financial savvy will fund your retirement. But if you lay the groundwork early on, they'll have a better shot at making smart financial decisions in the years ahead. Or at the very least, maybe they won't become famous for losing \$7 billion.