

Smart with money

The growing-up years – does money grow on trees?

IN this series by Credit Counselling and Debt Management Agency (AKPK), we see how Adam manages his finances throughout the different stages in life. This week, we learn how we may want to educate our kids pertaining to money.

As parents, our actions speak louder than words and we have to be very careful not to say one thing and do the opposite.

In reality, children have very different concepts about money as compared to adults. This is partly because they need not work for it and have the perception that it's something that is always there – just like the leaves on the trees! Therefore, when we teach our children about money, we have to put ourselves in their shoes (and not just putting money in their pockets!).

In Adam and Aida's case, they have put Alisa in the care of her grandparents while they are at work. So, when it comes to financial education, both the parents and grandparents have to take concerted efforts and be consistent in educating their children and grandchildren alike.

There's an old proverb that goes: "Train up a child in the way he should go, even when he is old he will not depart from it." Let's take a look at some age-specific guidelines that we may employ when teaching children about the value of money.

Pre-schoolers

By the time children are old enough to understand what

money is and to receive and spend it, they are ready for a pre-budget.

This pre-budget should be simple enough to encourage children to divide their money into different categories.

Parents can begin by setting up three piggy banks: One for Giving (charity), one for Savings, and one for Spending. They then can divide the children's allowance and gifts (like their "duit raya" or "angpow") into three equal parts and have the children place equal amounts in each piggy bank.

Money placed in the "Charity Bank" is to be used to help others in need. This will teach the child not only about the value of money but also caring for others.

Money placed in the "Spending Bank" is to be used to buy the things the children want and which parents should not buy for them. These would include small toys, sweets, and chocolates and so on.

However, they need to understand that once those funds are gone they are not permitted to take from the giving or savings banks to buy items they want.

Money placed in the "Savings Bank" is for the purpose of attaining a certain short-term goal. Examples would be saving to buy that remote-control car.

Primary years

By the time children reach the age of seven they should be ready to move into a mini-budget, with expenditures and

income should be recorded in a small notebook. Here, we'd separate the "Savings Bank" into short-term and long-term savings and to teach our children to record their expenses.

Short-term savings should be for something for which they need to save for less than a year while long-term savings is for something they will have to save for longer than a year.

Teen years

In this phase, we want to empower our teenage kids with greater financial decision-making responsibilities. Let them decide on what they want to spend on and allow them to face the consequences.

Parents should also start teaching their kids about the concept of "work-for-allowance" by getting their children to work within the home during their school-break and pay them a reasonable wage.

Conclusion

As parents, we have to be very careful of the seeds we sow and how we go about nurturing them. Money may not grow on trees but certainly our efforts will bear much fruit in our children.

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