

Thrifty & Green TM

WINTER HOLIDAYS

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Raising Thrifty Kids

7 Tips for teaching kids about money



WRITER **KEN DAMATO**

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When it comes to the New Year, most of us make resolutions to lose weight, eat healthier or get organized, and while that is all very important, why not make one of your resolutions this year to teach your kids some really important lessons for their future? Consider teaching financial and money management lessons they can take with them to adulthood. It's no secret that Americans are becoming increasingly worried about economic volatility with a threatening double-dip recession, the debt plan crisis, stock market plunge, weak job market, high unemployment rates, continued home foreclosures and consumer confidence dropping to an all-time low in over two years. Our children are not entirely shielded from the economic mess either because of the 24/7 news coverage. Just the other day, one of my sons asked me the meaning of "foreclosure."

Nowadays children are being exposed to many of these terms, yet don't really understand the basic meaning of money, how it works, or how it impacts their own family. They may

watch their parents pulling out a credit card, but don't understand how that money will be charged to the credit card and if it's not paid at the end of the month, the card holder will be charged interest. They may understand they live in a house, but not how a mortgage payment to the bank works.

As parents, we're often more prepared to talk to our children about sex, alcohol or bullying than we are to discuss finances and money values. Many parents find it challenging to teach their kids about money when they are uncomfortable about the topic themselves or feel they may worry their kids with adult topics. The good news is you don't have to be a Wall Street expert to pass on good financial habits to your children. The best way to teach them is to be a good, open and honest role model. Conversations about money matters can begin as early as five years old and lessons can go well beyond things like identifying the different coins and dollar bills. Kids learn about the importance of money matters, savings and financial planning by hearing about it often — and from a trusted source, like a parent. As the economic uncertainty

continues in our country, it's more important than ever to sit down and start talking to your kids early and often about money in an age-appropriate manner they can grasp. The Push for Financial Education

According to the Jump\$tart Coalition's biennial survey of financial literacy, high school seniors answered only 48.3 percent of the questions correctly, revealing startling gaps in their financial knowledge — only 51 percent know how to write a check, 34 percent can balance a checkbook and just 26 percent know how credit card fees work.

This 2011-2012 school year, an increased number of school districts across the country have begun to take notice of the importance of financial literacy among our youth, with 14 states now mandating some form of financial literacy be taught to students in the classroom. But, with slashed budgets, some states are grappling with how to achieve these new mandates and weave this extra coursework into the current curriculum; and for the 36 states without these enhanced mandates, financial curriculum is often not being done well in the classroom.



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Creating Teachable Moments At Home

While educators and legislators work to better address financial literacy in our schools, parents should become financial role models and supplement financial lessons that aren't being fully met in school by creating "teachable moments" at home with their kids. Parents are one of the strongest influences in a child's life, and with that, have the ability to help mold and determine the financial future of their children.

The New Year presents a great opportunity to begin supplementing your children's education at home with basic money lessons. Here are some simple tips you can try at home with your family to start the year off right by teaching your kids basic money management and savings skills:

1 Talk about money as you go: Find moments in your everyday life to teach your kids important lessons. To kids, an ATM may seem like a machine that gives out money. Next time you go to the ATM with your kids, explain how an ATM works and where the money comes from. Or, next time they go to buy a new toy, explain how tax is added to our purchases. Or next time you pay for a purchase or meal using a credit card, explain the

difference from using cash, and the idea of paying interest. These little conversations go a long way in your children's financial future.

2 Do a family purge: Get your whole family involved by setting up a "Family Purge Day." Everyone is responsible for their own goods — mom, dad and even the kids. Gather all of your outgrown bikes, baby clothes, old toys and make a list of which items you'd like to donate to charity. Pick a local charity with your children and deliver all your items as a family. This is a great way to encourage giving and recycling with your kids while organizing your house. Don't forget that donating to charity can also be a tax deduction, and you can use this as a way to explain tax basics to your kids. You can also consider taking your gently used items to local consignment shops, and you can use the money you get back to teach your kids about creating and managing savings.

3 Create a matched family savings plan: To your kids, saving often seems like an obstacle, especially when you're waiting for the next great game or gadget to come out. To encourage smart saving habits, create a matched family savings



plan similar to a 401K you have at work, except you, the parents, act as the company and match your children's savings. Not only will you be fostering good habits, but also teaching how a matched savings plans works for when they, too, enter the working world.

4 Set up a family savings goal: Whether you are planning an outing to a local amusement park or

an upcoming family vacation, set a savings goal to get every member of the family involved in saving money to fund the activity. As a group, figure out how much the whole trip will cost. Include admission fees, travel expenses, food, souvenirs, etc. Then talk about ways everyone can contribute so you'll reach your goal. Discuss and practice ways to save through wise spending choices (eating in vs. dining out) and ways everyone in

the family can earn money to put toward the family trip. When spending decisions come up — such as “I want that new toy!” — your family can discuss how important an item is when compared to the family’s savings goal.

5 Make it fun: We all know our children’s generation loves technology, so why not embrace it. There’s been a great push toward game-based learning — using what our children love, games, to teach them what they need to know for their future. Take advantage of free online educational games available today, like Sand Dollar City (www.sanddollarcity.com), that teach your kids about money in a fun and interactive way they will enjoy. Many banks also have online tools available, like PNC’s “Grow Up Great” program.

6 Use allowance as a tool: When allowance is used as a tool and not as a giveaway, it can be one of the best ways to teach kids, even kids as young as five or six, about money. There are many ways to structure allowance, and each family has to decide what is right for them. This would include how much allowance to give, what kinds of things a child should pay for, etc. I suggest paying children for tasks completed. One can also consider basing the amount of the



allowance on the child’s age — perhaps \$1 per week for every year of age. I base my own children’s allowance on their grade level. Whatever the amount is that works for your family, give the allowance money each week in small bills or coins that can be divided into three clearly marked envelopes or containers with the “Three S’s”. Decide in advance that a set amount should go to savings, spending and sharing. The largest amount should go to the savings envelope so that kids can see how their money adds up over time

7 Provide support: There’s no better financial learning experience than a lemonade or baked goods stand. Support your kids when they want to create their own stand — help bake

the goods or take them to the grocery store to buy their supplies. Kids will appreciate money much more when they earn it on their own. From my own experience, there’s nothing more rewarding than seeing your child’s face light up when he or she earns their first dollar.

Setting Them Up For Financial Success

The state of our economy and the threatening double dip recession is somewhat out of your control, but what is in your control is your children’s education. Preparing our kids for their financial future is one of our many duties as parents, and if we don’t teach them, who will? Start the year off right by supplementing their education at school by teaching basic money skills at home. Incorporating simple

conversations into everyday life, whether it’s at the grocery store, in the car, or at the dinner table — and approaching daily tasks as teachable moments — can set your children up for a future of economic success, and maybe even give the economy the boost it needs for our future. A nation full of money smart kids may mean a nation full of economic success in the future.

Ken Damato is the Founder and of DoughMain (DoughMain.com), a free financial education and family organization website co-developed by teachers to help parents educate children and young adults about the value of money and the importance of money matters, financial planning and financial literacy. To learn more about DoughMain, please visit www.DoughMain.com.