

THE FOUR FINANCIAL HABITS EVERY CHILD SHOULD LEARN

LEGACY
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Financial literacy is at an all-time low. FINRA's National Financial Capability Study revealed that 66% of Americans cannot correctly answer more than three questions on a five-question test about basic financial concepts. The test covered fundamental topics like mortgages, credit card products, saving for emergencies, and spending rates versus income.

Your family needs to know these basics. We help educate your younger generations early on and help as they approach major life changes.

We recommend a dual approach. It involves daily lessons from you and discussions with our team when a third-party perspective would help convey the message. Bruce planted the seed of saving and the fundamentals of a healthy financial life early on for Mark, Caroline, and their brother, Don. The ideas of saving for the future and spending intelligently were approachable, frequent, and fun.

Here are some easy lessons we suggest starting with:

1. Teach Wants vs. Needs

Children can begin learning the difference between wants and needs at an early age.

A great way to help demonstrate this lesson is by sharing your needs versus wants while grocery shopping. Talk through your decision-making process with the kids when you decide whether or not to buy a non-essential item. Choose times not to indulge and talk about saving the money for a future need.



2. Let Them Earn Their Own Money

Children need the opportunity to learn the skill of saving money. We all remember the pride of earning a paycheck, which is a feeling you can start encouraging before formal employment.

Earning an allowance for chores may be a good place to start. This reinforces the value of hard work and earning an income. Cash is a great medium because children can learn the tangible value of money. They can see the money come in or leave their piggy banks. Debit cards (or even prepaid money cards) could be a nice tool for older children with more fundamental financial knowledge.

To take it to the next level, establish a 50/50 rule with the earnings. 50% goes to the on-site Piggy Bank and 50% goes to a savings account or an investment account designed for minors. We can help you think through how it may best work for your family.



3. Support Saving Skills

Consistent and frequent practice is the key to developing any new skill. Help children learn how to save by helping define their savings goal. If they are younger, perhaps they want a toy or video game; an older child may want to save for a new phone upgrade. Younger children may enjoy keeping their savings in a piggy bank. Older children may benefit from monitoring a beginner's checking or savings account. This interactive approach gives them a chance to see their savings grow on a statement or bank app.

Another way to support savings skills is to give an incentive for saving. Consider giving a small bonus (\$50 is a lot to a child!) when they've reached the half-way point or a celebration treat (like a trip to get ice cream) for reaching large savings milestones.

4. Record Keeping Habits

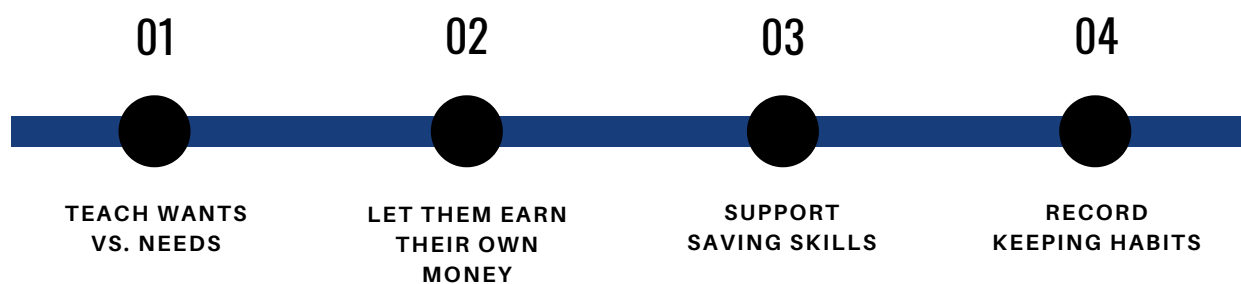
There is value for children to learn how to track their spending and maintain a log. Teach children to write down their income after every allowance and write down every purchase. This may be a fun way to introduce spreadsheet formulas too if the child enjoys computers.

Discuss how much faster they could reach their savings goals if they modify their spending patterns. They may also learn from a mistake like buying an expensive item without price comparing first.

Final Thoughts...

Modeling good behavior is the other key here. Do you have your emergency fund squared away? What does retirement planning look like? How is your family prepared for unexpected financial challenges, such as the passing of a loved one or divorce?

Here at Legacy Financial, we are here for you and your family for every stage of life. When you're ready, we're here to help prepare the best possible financial future for you, your family and generations to come.





Contact us today to schedule a complimentary discovery call and learn about how we can help.



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