Kids and CASH

What every parent needs to know to raise a financially healthy child.

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You are the parent. From you, your children will learn a wealth of knowledge – everything from taking their first steps to knowing the difference between right and wrong. Yet, many parents don’t know how to teach their children a skill that will benefit them their entire lives: money management.

When it comes to matters of money, think of it like any other basic skill you teach your kids: like brushing their teeth, doing their homework or taking a vitamin. It’s just as important.

5 Reasons Why You Should Teach Kids About Money

1. Because if they don’t learn when they are young, they will pay the price for the rest of their lives.

2. No matter the level of your income, the principles are the same.

3. The younger they begin the greater the likelihood for financial success.

4. Money doesn’t buy love or happiness but it does make the world go around.

5. Who do you want teaching your kids…you or the world?

So now that you know WHY you should teach your kids about money and finances, where and when do you start? Well, it's never too early, but it can sometimes be too late. Age-appropriate lessons can be made for all children. The important thing is to do it!

Here are a few ways to get the ball rolling:

Money & Kids:
10 No Non-cents Tips for Parents

1. Set a good example.
Like everything else in life, children learn by observation and example. What they see you do they will likely duplicate.

2. Talk about money.
Don't make it a taboo subject. Discussing money and how it works is a great way to talk about goal setting, values, responsibility and decision-making. Talk about it while shopping, at the bank, and any place it's appropriate.

3. Open a bank account.
Take children to the bank and open a savings account so they can see first-hand how the process works. Explain deposits and withdrawals. Explain how interest works.

4. Teach them to pay themselves first.
Of all money they receive, teach them to pay themselves (their savings) 10% FIRST. Over time, they will see how this money can grow and they'll learn the concept of saving.

5. Make them work for an allowance.
This will give them real money to practice these principles.

6. Keep track of spending.
Encourage kids to keep track of where they spend money. Over time they will see how small expenses like a candy bar or frivolous toy, add up.

7. Teach them there's more to money than spending it.
Instead of just teaching about money, teach the principles of spending, saving, investing and donating. Understanding the choices will help them learn to manage money, not just spend it.

8. Lost Opportunity Costs – One of money's best-kept secrets.
If you have $20 and lose it, how much did you lose? $20? Wrong. You not only lost the $20 but what it could have earned over time.

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Look at this simple example. If you stopped for a latte each day on your way to work and spent $5.00 per day, your coffee habit would total a little more than $100 at the end of the month. Most people would simply view it as losing $100 a month. But, when you add in the Lost Opportunity Cost of what that $100 per month would earn in interest over the course of many years, you see that it' more than a latte you're splurging on - it's a small fortune wasted.

YOUR LATTE HABIT
$100 a month plus
5% interest

After 10 years	$ 15,592
20 years	$ 41,274
30 years	$ 83,572
50 years	$267,977

9. Offer an incentive.

Create a "matching funds" program by offering to match dollar for dollar all money your child saves during a certain time period.

10. Create the frig "Wish List."

Kids see dozens of things they want – in the store, on TV, and from friends. Teach them to put these items on a sheet of paper on the refrigerator. This system teaches them to prioritize the most "important wants" and learn to save up for non-necessities, paying with cash.

Credit Cards and Teenagers: The Recipe for a Debt Disaster

It's a fact: teenagers don't carry cash. Growing up in an electronic age, they are so likely to pay with a card, Visa USA has dubbed 18- to 24-year olds Generation P for "plastic."

What does that mean to parents? Your teenagers have a bulls-eye on their backs. Credit card companies target kids as young as 16 with gimmicks like free stuff, music downloads, special deals and low "introductory" rates. Why? For one thing, they know that parents will usually bail out an overextended teen or come to the rescue of a college student who can't make the payments. For other lenders, "brand loyalty" is the reason for the aggressively attack -- studies suggest that we consumers are very loyal to the first bank that offers us plastic and cements our coming of age.

Credit cards are so heavily marketed on college campuses, incoming freshmen find themselves barraged by dozens of credit card offers before they unpack their toothbrush. Unfortunately, most come with limited credit lines, higher than average interest rates and outrageous fees.

The end result is that many college students graduate with no job, no source of income and a mountain of credit card debt. According to Nellie Mae, a leading provider of student loans, college students, on average, graduate more than $20,000 in debt, and over 15 percent of that is owed to credit card companies.

Don't wait 'til they're packing the car to talk to your kids about credit cards. Like all financial education, consistency is key to helping children learn the best way to manage money… and credit.

Debit vs. credit

Supply teenagers with a debit card instead of a credit card. This way they are only using money that they already have, and if the card is lost or stolen it can't be used without the PIN number. In case of dire emergency, you can always transfer more money into their account.

Shop around

If credit cards are necessary, teach kids that all plastic is not created equal! Like everything else, help them shop around to find the best rate and cards with no annual fees. Teach them to read the fine print and be wary of "introductory offers" and cash advance charges, which are typical sky high. Educate your teen that with credit cards come charges: finance charges (interest paid every month), annual fees of up to $100, late payment fees (for even one day late), and more.

Put a lid on it

Keep spending (and potential overspending) down with a pre-set spending limit of $1000 and no more than one card.

Emergency Use Only

Explain that credit cards are only for emergencies. That does not include dinner, clothing, beer, a great movie, or a new CD.

Do you want to pay for that when you're 30?

Teach kids that if they charge something like dinner and a movie and don't pay the bill in full each month, they may end up paying for that sushi when they are 30 years old. And by that time it will have cost them 100 times more.

Learn that Credit History Counts

Not just when buying a car or a house, but many future employers will refer to your child's credit score before making a hiring decision. So, if they do use a credit card, make sure they know that paying a card late or skipping payments can mean missing out on their dream job. (And in many states, your insurance rates are affected by credit history.)

"Start Building Credit Today"

Credit card companies lure students with the notion that they can start building their credit today -- that their life may depend on them charging something now. The sad fact is that their charging today may affect their life, but not in a good way. According to lender Nellie Mae, a few ways to establish good credit include: holding just one credit card that doesn't get "max out" and is paid on time; opening an account with the phone electric company; and keeping student loan accounts in good standing.

Don't use it unless you have the money to pay for it

Reinforce to you kids that if they don't have the cash to pay for it, they shouldn't charge it.

For more information log on to www.TrinityFSEM.com

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About Peter Grandich

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With no formal education or training, Peter Grandich entered Wall Street and within three years was appointed Vice President of Investment Strategy for a leading New York Stock Exchange member firm. He was the editor and publisher of four investment newsletters, and appeared on national TV and radio over 400 times.

Labeled the "Wall Street Whiz Kid," Grandich gained national notoriety by being among the very few who not only forecasted the 1987 stock market crash just weeks before it happened, but on the very next day he predicted that within a year the market would reach a new all-time high – which it did. Proving his 1987 forecast was no fluke, Mr. Grandich said in January 2000 that the year 2000 will go down as the year the great mega bull market of the 80s and 90s came to an end.

Grandich is the founder and managing member of Trinity Financial, Sports & Entertainment Management Co., a firm with a Christian perspective. Trinity Financial (www.TrinityFSEM.com) serves the public-at-large and has a unique Pro Sports Division that assists athletes and entertainers.

Grandich is also the founder and managing member of Grandich Publications, LLC., (www.Grandich.com) which publishes *The Grandich Letter*. First published in 1984, *The Grandich Letter* provides commentary on the mining and metals markets, discusses the Canadian economy and investments from an American point of view, and provides commentary on the world's markets and economies. In addition, the company also provides a variety of services to publicly-held corporations on a compensation basis.

Interviewed regularly by media like Marketwatch, Business News Network, Wall Street Journal Online, and other top financial print and electronic media, Grandich also speaks at major investment conferences worldwide. He is a member of the National Association of Christian Financial Consultants, and a long-standing member of The New York Society of Security Analysts and The Society of Quantitative Analysts.

Peter Grandich lives in Manalapan, NJ with his wife, Mary, and daughter, Tara.