

Financial Literacy and Our Children



As young people enter adulthood and are asked to make increasingly complex decisions involving their finances, it is more important than ever that we teach our children about money. Exposing our next generation to banking, budgeting, and investing at an early age will better prepare them to make sound financial decisions as adults.

Bad money habits have sharply increased American household debt, which may be due to a lack of financial literacy and education. In a 2015 study, the [FINRA Investor Education Foundation](#) found that 63 percent of respondents failed a basic five-question financial literacy test. With that in mind, it's no wonder that over 60 percent of American adults spend more than they earn, and 50 percent lack enough savings to cover three months of living expenses.

The strongest influence in a child's life comes from parents and family. Below are a few simple steps you can take to ensure that your children grow up prepared to manage their money and enjoy a productive, financially sound future.

1. Show Before You Tell

The best way to teach children good financial habits is by practicing them. Having a budget and sticking to it demonstrates good money habits to your children. Keeping a six-month emergency fund, regularly saving for retirement, and using debt wisely all demonstrate a healthy relationship with money. Involving your children in your financial decisions is an excellent way to show good money management.

2. Start Them Young

Help young children create buckets – spending, saving and giving – and show them how dividing their money among the three benefits them as well as others. This can begin as early as their first visit from the Tooth Fairy.

3. Make Money Lessons a Game

Playing games require children to recognize how to allocate finite resources. Monopoly™ is a good choice, and so is Risk®, which uses armies instead of dollars. Not only will they learn, they will also benefit from quality family time.

4. Money Comes From Hard Work

Find age appropriate chores or jobs for them to do and pay them accordingly. As they get older, teach them to create a budget and encourage them to save for what they want.

5. Open a Savings Account at Your Local Bank

With a minimum \$100 deposit required, you can open a Statement Savings Account for your child at a community bank such as [Opportunity Bank of Montana \(a Member FDIC insured institution\)](#). Then show them the magic of saving and compound interest.

6. Introduce Your Teenagers to Investing

Buy a few shares of stock or a mutual fund for your child's 12th or 13th birthday. Show them how to follow its progress online. Use that to discuss how investing intelligently over time can multiply their assets.

7. Allow Them to Fail

It hurts when we see our children mess up, but it's also a good lesson to allow financial failures to happen at a young age. Things don't always work out as you planned; that's why it's important to save.

Instilling good money habits in your children is arguably one of the most important life lessons they will receive. Start early, make it fun, and never stop teaching. Your children will thank you.

To assist parents in these efforts, the local bank we previously mentioned, [Opportunity Bank of Montana](#), has joined forces with Ramsey Solutions' [Foundations in Personal Finance](#). *Foundations* is a curriculum for educators to teach middle schoolers, high schoolers and college students the fundamentals of money that are required to thrive in today's economy.

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