

# FROM TEACHING YOUR CHILDREN ADVISOR ABOUT MONEY

*Learning to distinguish between needs and wants is a key lesson*

**T**alking about money might not be considered the polite thing to do; but when it comes to talking about money with your children, the earlier the better.

Children as young as age three or four can start learning some of the basics about money, says Gary Rabbior, president of the Canadian Foundation for Economic Education in Toronto.

One of the earliest and most important lessons children can learn is that every decision made about money involves a trade-off.

“Part of the parenting dilemma [that] starts at a [child’s] very young age is: ‘How do you tell a kid they can’t have everything they want?’” Rabbior says. “When you buy something or make a decision about one thing, you’re giving up the opportunity for something else. We really advocate that as one of the most early learning experiences because that concept of trade-offs helps kids understand they can’t have everything they want.”

Learning to distinguish the difference between needs and wants is another key lesson for children — and even parents who may be struggling to stick to a household budget.

Once children start counting, that may be the time to begin introducing some of the concepts about money, including the different coins and bills and what it means to spend them, says Natasha Nystrom, a spokeswoman for the Financial Consumer Agency of Canada in Ottawa.

“You can involve children in making your grocery list,” she says. “If you’re looking at flyers to save money on some of the items on your grocery list, you can involve [your children], so that they can help you cut out some of the coupons that might help you save some money.”

Nystrom adds that an allowance can help kids learn how to save for a toy they want.

Rabbior urges parents to involve their children by making the subject of money hands-on and interactive instead of giving them a lecture.

“Kids learn and retain information much more effectively by being active and a participant,” he says. “Actually go out into a store, go and do some comparison shopping. Let [your children] see how prices differ from one place to another.”

Rabbior says that you need to do what works for your family

and your values about money when determining the parameters of each child’s allowance.

Some issues to consider are how much the allowance should be and whether you should help your children make decisions about how they spend or save it. Also, consider whether you want to pay your children for doing chores — vs a traditional allowance, which is not tied directly to chores or duties.

“Allowance is the one thing for which there is no prescription that we lay down or anything we recommend because there are so many variables at play,” Rabbior says. “Ultimately, parents should read and reflect on what people say, but, in the end, make their own decision.”

Teaching your children about money isn’t about stopping them from making mistakes, Rabbior says, because those mistakes can be powerful learning experiences.

“If [your children] want something and you know you’ve guided them on the decision, but they really want to spend their money on this thing — even though you don’t think they’ll want it next Thursday — go ahead and let them do it,” he says. “The consequence of that is much better than later on, when they are spending much more money on a much more significant decision.”

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**By Craig Wong (CP)**