

Finances: Preparing Children for the Future

Written by Kay Ransom

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When a child sees a parent getting money from an ATM machine, he may associate his parent's desire for money with the touch of a few buttons. He has no understanding of how it got there and that the account holds only as much money as his parent deposits into it. The same is true when a credit card purchase is made. Because no money is exchanged, a child can get a distorted view of how the financial world works.

While Christian parents would not think of delaying biblical teaching due to their child's immature understanding, the same concept should be followed in finances. Young children can and should learn about money at an early age. Children who grow up learning money management will be better equipped to handle their money wisely and avoid financial problems later. These problems can not only affect their own lives but their marriages and families, as well.

Start Young

Many different beliefs exist on how children should earn money. Some parents may decide to pay their children for household chores (washing dishes, folding clothes) and others prefer only to pay their children for extra chores such as raking leaves or sweeping the garage. The important thing to remember is that your child needs to have a cash intake so he can learn how to budget his money. The following pages give tips to help you accomplish this.

Tithing

Explain to your children that when you are blessed with money, you are to give God back a portion of it. Tithing is giving one-tenth of your possessions to God (Deuteronomy 16:17).

Ron Blue says it well in *Raising Money Smart Kids*: "We are stewards of His money. A steward is a manager, not an owner. An owner has all the rights; a steward has only responsibilities."

When you ingrain the practice of tithing in your children, you are helping them become aware that everything you have belongs to God. By helping your children develop a habit of tithing now, it will be much easier for them to carry this practice into adulthood.

Show your children what the Bible says about tithing: "Remember this: Whoever sows sparingly will also reap sparingly, and whoever sows generously will also reap generously. Each man should give what he has decided in his heart to give, not reluctantly or under compulsion, for God loves a cheerful giver" (2 Corinthians 9:6-7).

The best way to teach your children this passage is to use examples from your own life. How has God blessed you through your faithfulness?

Saving

It will not take long before you learn if your child is a natural saver or spender. If you have a spender, show him ways to save. Seven-year-old Kara complained to her mother, Barb, that her older sisters always had money for

larger purchases, like music CDs, but she never did. Her mother pointed out that she spent her money on little things. Barb marked the word “savings” on an envelope and explained to Kara that after she got paid and took out her tithing money, she could put as much money into the envelope as she wanted.

Her mother kept the envelope in a special place, and it was not long before Kara had enough money to purchase a music CD. “This has helped Kara learn to be patient. She frequently uses the envelope, and, in time, Kara always gets what she is saving for,” says Barb. Many adults put money aside at regular intervals for special purposes such as a family vacation, or for necessary expenses such as taxes. By teaching your child this helpful strategy now, he will be getting years of practice.

Allow your child to help grocery shop. After you decide what your family needs for the coming week, have your child sit down with you and go through the shopping guide from your grocery store. If you usually shop at two different stores, allow your child to help you decide what to get at each store. Point out the sale items that you will be stocking up on and explain how this procedure saves you money in the long run. If you clip coupons, show your child the amount of money you save by waiting for the item to go on sale and by using a coupon. It is important for your child to see that the goal is to stay within the budget and that sometimes to accomplish this, you have to cross off unnecessary purchases.

When a child goes to college or begins a job, he will have to learn how to live within his budget. To help your child succeed at budgeting, give him practice while he is young and help him to discern between purchases that are “needs” and those that are “wants.”

Spending

Once your child starts earning money, guide her to begin spending her money wisely. While you may not think twice about paying your child’s way into the amusement park and buying her refreshments, allow her to purchase her own souvenir. When a child buys something using the money she has saved, she has to be more careful with her purchase, and it probably will mean more to her.

As your children grow, let them learn how to be wise spenders. When Debra took her boys, ages 9 and 11, to a shopping mall for back-to-school clothes, she realized that she would not be able to afford all the name brand clothing they wanted. Since Debra usually bought each boy three pairs of pants and three shirts for the start of the school year, she calculated out a reasonable price for one pair of pants and a shirt, then multiplied that amount by three. She told the boys that they could spend the total amount on school clothes, any way they wanted.

Debra put each child’s money into an envelope and acted as their banker. Her job was to hold onto the money and record every purchase made so the boys always knew how much money was in their “account.” Debra was pleased when she saw how both boys carefully considered each purchase. The boys also shopped around for the best price.

Borrowing

“Tithing, paying taxes, and repaying debt are biblical priorities before any other spending of income,” says Ron Blue. Do not neglect to teach your child the importance of repaying debt, along with the dangers of getting into debt.

Whether it is a trip to the local grocery store or an excursion to the mall, young children usually find an item they “just can not live without” and invariably ask to borrow money from their parents for the item. While it

may be fine to lend your child money two days before his allowance is due, a better reply may be, “When you get enough money saved, then you can purchase the item.” For the natural spender, chances are he will have changed his mind in the time that it takes for him to save.

Through this process, you will be teaching your child to be patient while discouraging impulsive buying. Because younger children have a difficult time grasping the concept of borrowing, allow them to concentrate on saving and tithing during these years.

When your child begins to earn money from outside sources, such as babysitting or mowing lawns, it is a good time for your child to learn through experience what borrowing is all about. After you explain the process of borrowing, then allow her to choose an item she can repay in six to nine months. This purchase may be new roller blades or a CD player. After the purchase is made, sit down with your child and help her figure out a budget.

Start by coming up with an amount she could comfortably repay each month or each week toward the purchased item. Do not set this amount too high, allowing her to have money for tithing and a little for spending. Treat this procedure just as a bank would by recording everything on paper. Do not forget to charge a small amount of interest, pointing out to your child that the bank usually charges a much larger percent including a cost for processing the loan.

You also have to set an amount for a late payment and agree on the consequences for termination of the contract. Keep in mind that loan institutions repossess items when the buyer has several delinquent payments. This is something you may want to include on the “contract.” Finish the deal with both parties signing the contract.

To some parents, this borrowing procedure may seem a bit extreme. However, think about the positive lessons that can come from it. Your child will be learning the responsibilities of repaying a loan and the importance of budgeting money. Do not be afraid to allow your child to learn the consequences of frivolous spending now, when he or she has little to lose. If your child learns the consequences later in life, the stakes are always higher. Because money plays a very big part in each person’s life, you have a responsibility to teach your child how to manage money wisely.

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