



NACHMAN NORWOOD & PARROTT  
WEALTH MANAGEMENT CONSULTANCY

## Tips for Teaching Your Kids about Money

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Among the many responsibilities of adulthood, managing personal finances is one of the most important skills you can learn. Unfortunately, many of us have had to learn this lesson the hard way, without any formal education on the subject. If you want to help give your kids a head start on the road to financial independence and success, there are many simple tips you can use to get them started early.

This week, in the first of a two-part series, we'll discuss six easy ways to help your younger children learn about the value of money and investing. In the second part, next week, we'll go over another six tips, to make it an even dozen. Here are some ideas for you to consider:

### Introduce kids to dollars and cents.

Teach your kids how to count change, and help them understand the value of each coin. Explain how to pay for things. For example, if they find a toy at the store that costs \$2.75, show how they would need two \$1 bills plus three quarters to pay for this purchase. You can even let them make the exchange at the check-out counter.

### Explain the concept of earning money.

It's important for your children to understand how you earn money when you go to work, and also how that money pays for housing, food and the many fun activities your family enjoys. Explain to them the benefits of having a job, and help them appreciate the reason you leave the house each morning.

### Respect money.

To set a good example for your children, don't discard pennies or small change. Show them how saving even small amounts of change in a jar can add up to a significant sum. Count it out together every few months, and help them pick out something useful they can spend it on.

### Give your children an allowance.

By providing your children with a weekly allowance, you can teach them both how to save money, and also how to spend it wisely. You can also tie their allowance to weekly chores done around the house, to help them learn the concept of earning their money. It may also be a good idea to pay their allowance in small increments, such as five \$1 bills instead of one \$5 bill. Dividing their money in this way can help them see how they can use a portion of the money to spend on things they want, and also how to save a portion of their earnings as well.

### Help set savings goals to work toward.

If your child wants to purchase a video game or a new item of clothing, work with them to figure out ways to save for this goal. If the item costs \$20, help them estimate how much of their allowance they will need to save and how long it will take to save that amount. You can also encourage your child to find ways to make some extra money by picking up additional chores around the house.

### Match their savings.

One way to encourage good habits is by matching a portion of your child's savings. For example, you could contribute an extra 50 cents for each dollar they put away. Giving them extra incentive can increase their savings more rapidly and teach them good habits at the same time.

These are just a few ideas to get your kids started on the road to savings. Check back again next week for more thoughts on how to help them learn about personal finance.

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