



وعي مالي شخصي  
Personal Financial Literacy

Lesson 5

# Children and Money

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مجلس أبوظبي للتطوير الاقتصادي  
ABU DHABI COUNCIL FOR ECONOMIC DEVELOPMENT



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## Children and Money

Of course the teaching of our children is one of the most important and personal priorities we undertake. Including money matters in this education process can lead to significant benefits later on as they mature. Just like anything else, learning at an early age is better. An excellent resource for this area are books by Jayne A. Pearl, author of *Kids and Money: Giving Them the Savvy to Succeed Financially* (1999, Bloomberg Press), and by Neale S. Godfrey, co-author with Carolina Edwards of *Money Doesn't Grow on Trees: A Parent's Guide to Raising Financially Responsible Children* (Fireside, 1994). Both of these provide some useful tips for teaching our children about money.

1. Sooner is better. Children come to understand money at an early age. They see their parents purchasing things, using an automated teller machine (ATM), and talking about money at home. Parents can take advantage of these experiences to begin to familiarize their children about money.
2. Once children develop an understanding of money, that it “doesn’t grow on trees”, and that they can buy the things they might want with it, they often develop an instinctual conservatism that can be useful to teach them sound financial thinking.
3. Allowances can be a useful device for teaching about money. This can teach saving, planning, and living within a budget. Make savings a part of the allowance process.
4. Teach your children about savings accounts, checking accounts, and credit cards when they are in high school. This will prepare them when they go to college and have to manage these by themselves.
5. Teach high school children about investing using small amounts of real money. Introduce them to simple, set-term investments like savings bonds and certificates of deposit. Though returns from these will be meager, they serve an important lesson and will build their confidence about investing. From there, introduce them to the stock market, but not as a prelude to picking stocks. Instead, advise them to get into some diversified mutual funds or a solid index fund. Some of the stock investing games available on the Internet are a fun and educational way to introduce a teenager to stocks.
6. The teenage years are particularly important. If they have a credit card set up rigid criteria for its use, start them off with a secured card - in which the holder charges only up to a cash account kept with the issuer. This way, they become accustomed to using the card judiciously. If their purchases are sound enough, then move on to an ordinary credit card, encouraging them to pay the balance each month to avoid interest charges.