

What is the right way to expose a child to money?

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A usual question that is frequently asked by parents and wards of young children is “Which is the right age to expose a child to money?” A standard answer is children of today’s age are already exposed to money. This is irrespective of their age. Let us sit back and think deeply. Exchange of money - transactions - happens around child from the time s/he is born. As child gradually grows older, s/he observes her parents taking out wallet and making payment for various goods and services. After couple of years s/he is given currency coins/notes to be handed over to vegetable vendor, milkman, newspaper boy and so forth. This process is further graduated into money being given to purchase small candy, toy, comics etc.

Therefore in real life child is exposed to money ever since s/he is born. This child understands power of money. S/he starts believing that money can buy most things needed for routine livelihood.

Most parents overlook this fact. In their mind exposure to money means, discussing banking, investment, money management etc. In an illusion to shield child from aspects of money so that s/he focuses on his/her education, in reality they are only shielding the child from earning, investing and management aspects of money. Children any way gets exposed to spending power. This power is further enhanced with onslaught of media and advertising, marketing et al.

In reality there are four aspects of money – income, expenses, assets (investments) and liabilities (borrowing.) A child from childhood needs to be exposed to all these aspects in a systematic manner. Right age to expose child to money management is the day child learns to spend money. The day you give child currency to purchase a toy or a chocolate, ask him/her to make a note of it. Their budget writing habit should begin from there.

There are few things which I have been practicing with my daughter. When she was young, we made her sow seeds in a pot. She was expected to water the plant regularly. Over a period of time she saw nurtured seed converting into plant. She now waters about 3 to 4 plants. Firstly this is good habit in all aspects. From money training perspective it will help in explaining the concept of nurturing wealth.

Next she has been given chocolate bank. This is like piggy bank. Every time she gets a chocolate it has to be deposited in this bank. From the bank she can eat chocolates twice a week. She observes chocolates piling up when deposited and reducing in number when withdrawn. This will help in teaching her funds inflow, outflow concept in future.

Thirdly she has two piggy banks. In one bank she deposits currency notes which she receives from elders on festivals and other auspicious occasions. This piggy bank is of the shape of bus. Story that has been told to her is that the bus is going to bank. Therefore all currency notes in her bus piggy bank goes to her bank account. By the way she had her first bank account when she was 12 days old.

Another piggy bank is transparent glass bottle. She deposits her coins in it. Next to jar there is picture of an object – usually a toy - that she wants to purchase for savings. This is to help her set financial goals. Further since the piggy bank is transparent, she sees the pile of coins when she deposits it and the pile reducing when she takes it out.

She was born on December 18th. Therefore every month on 18th she gets to purchase a gift of her choice. There is no other buying throughout the month. This brings in discipline. Also in case she wants larger gift then she has to miss gifts for 1 to 2 months. This will teach her concept of delayed gratification.

Apart from this, she observes me and my wife write our daily expenses. All kids want to imitate parents. She also wanted diary for writing her expenses. On a different note, remember the cardinal rule “practice what you preach.” If you are not fiscally disciplined, don’t expect your kids to be money savvy. Therefore if you are not writing family budget, your child will not develop the habit.

Lastly, when you feel particular expenses are not warranted, please do not say “we cannot afford it.” For expenses you cannot afford say “we cannot afford.” For expenses you feel are not warranted, specify clearly “we

do not want to spend so much on this item/category.” There is vast difference between the two. If you say “we cannot afford” and later child sees you purchase something else, it will create confusion and wrong impression in child’s mind. Be very careful

Reserve Bank of India has published 6 excellent comics for kids. These are freely downloadable from their web site. Also they have excellent museum in Mumbai. I had taken my daughter and her friends to view the museum on her 6th birthday. They still remember it.

Over the years as financial planner, I have observed that children who were exposed to money management in childhood go on to become financially responsible adults compared to children who are shielded. Don’t shield your children, empower them.

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