

7 facts to know before you talk to your child about saving



You probably know that it's important to teach kids how to start saving money, but that doesn't mean it's easy. Some knowledge about how kids approach money may make the conversation easier.

1 Children have trouble imagining the far-off future



It's a good idea to start with relatively short-term savings goals: The more distant or abstract the goal, the harder it is for kids to visualize. Encourage children to work toward something tangible that's on the not-too-distant horizon, like spending cash for a family vacation or a coveted accessory.

2 They may have trouble distinguishing between needs and wants



Most adults know that there are expenses you have to pay (your needs) and there's discretionary stuff (your wants). Tweens and teens may have a tougher time making that distinction. You can explain that school supplies and a soccer uniform are needs, and movie tickets and designer jeans are wants. Teens may need to be told that when pressed for cash, it's useful to prioritize their necessities so they're never stuck without something that's essential.

3 Teens may not realize a budget can apply to them, too

A great way to help middle and high schoolers understand responsible spending and saving is to create a budget. You could encourage children to record all of their monthly earnings and expenses in a journal. In addition to recording what they bought and how much it cost, ask them to record why they decided to make the purchase.



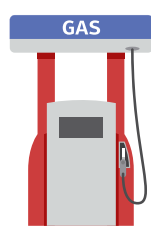
4 Your teen's budget framework can look a lot like yours

When building a family budget, many parents look at three main categories: income, necessary expenses and discretionary expenses. While you undoubtedly have more complex finances than your teen or tween, that's a basic system that could apply to them, too:

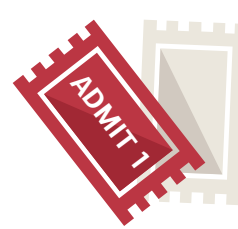
Income for middle and high school aged kids will probably come from part-time jobs, allowances, and birthday and holiday gifts. Necessary expenses might include data for cell phones, or gas and car insurance. Discretionary spending includes things like movie tickets, outings with friends and digital downloads.



Income



Necessary Expenses



Discretionary Spending

5 Yes, they're going to ask for money

It's normal for teens to run out of money occasionally (about 30 percent ask for an advance on their allowance), and it may be tempting to give in. You know he's really trying, and even adults struggle with budgets. But most experts agree that if you give children more cash, they aren't learning the lesson of living within their means. So consider if it's better that your child start to understand this skill when he's young—rather than once he's on his own and the stakes are higher.



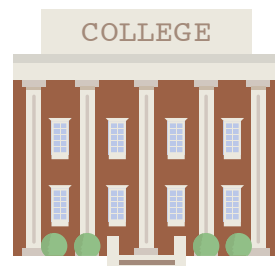
6 For older kids, branch out beyond the piggy bank



While piggy banks are fine places to keep spending cash and savings for short-term goals, middle school and especially high school students can think about opening savings accounts. You can explain that in addition to helping protect their money, a bank account offers a way to build their savings with interest. Watching the account grow can help drive home the point.

7 Teenagers are ready to think about tradeoffs

Older teens may start to realize that it takes effort to save for longer-term goals. Indeed, 59 percent of high school seniors are willing to give up a car or electronics to help pay for college, according to a survey from the College Savings Foundation.



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