

Children begin forming habits around money by the age of 6 years old, with most of their money habits becoming established before they turn 10. This is why it is so important that you take the time to teach them about money and what good habits look like. Here are 5 tips to help teach children to save money:

1. Discuss wants vs needs

Young children can understand the differences between wants and needs, especially when you simplify it and apply it to specific situations. One way to show this would be to discuss the items in your house. You can ask them if they think the food in the refrigerator is a want or need; Now ask them about the PlayStation they play with. Take the time to explain the differences between the two. They will start to understand that they need to make sure all their needs are covered before they buy the extra things that are wants.

2. Set an example with your money habits

Children learn by example - even when you don't think they are watching. Include them in your budget conversations and finance reviews. By including them in this and keeping a positive attitude, they can start to develop a positive relationship around money. You don't need to sugar coat everything. If there are financial struggles, explain that to your children but do not overwhelm them. Keeping kids in the dark about finances can teach them that money is taboo and not to be discussed, which could lead to them avoiding asking for help down the road if needed or feeling ashamed about money.

3. Explain the cost of purchases

Have your children come with you when you go grocery shopping, show them what things cost and that sometimes you have to make choices between things. With that, explain to them that there are options when they are making purchases. Some items can be less expensive by purchasing the generic vs. name brand, or some items might be on clearance or a sale. If you use coupons, explain how that can help them save money on things that you were already planning to buy.

4. Open a savings account

Bring your children along with to the bank so you can open up a savings account together. Show them how to deposit money into the account. Explain to them that putting money in a bank account keeps it safe if there is an emergency, and the bank will add interest to their account every month that they keep money in it. Start the banking relationship early so they feel comfortable with their bank and know they can come in to ask questions or seek help.

5. Help your child create a savings goal

Having something to work towards helps anyone to save. By helping your child create a savings goal, it can teach younger children what opportunity cost is. Sometimes we have to give up other things we may want now so we will be able to purchase the one thing we have been saving for - it can be extremely rewarding when they are finally able to buy that long-awaited item!

Money is something that's needed to survive. Helping to teach your children about finances can set them up to have a positive relationship with it as they grow and set them up for success!