

**FINANCIAL LITERACY -
EDUCATING YOUR FAMILY ABOUT MONEY MATTERS**

Education, food, presents... the list of expenses your family asks each time you phone each other, seems never ending. If you have been applying the pieces of advice given in this column since its start last year, you should by now manage your money better, by tracking every cent spent, writing a budget in order to plan expenses and save for your goals, and get out of debt. But how can you make your family, especially your children, understand more about money management?

You are away from home and your spouse or another family member is taking care of your children. However, you can still have your say in their education, and learning about money is a very important of their education. The very first thing you can teach them is that money is limited. Does it seem obvious for you? It might not be for your children, especially if whenever they ask you for money, you end up sending it. By never saying “no”, you think that they will love you more. But... by never saying “no”, the message they receive is different: they understand that money is unlimited, you just have to ask, and Mummy always ends up sending money.

You can give them little games to do about money, or for bigger children, projects. Instead of talking about money through the phone, which will end up being expensive, mail or email the activities that you would like them to do. The very first one is about needs and wants. Why not ask them to write (or draw for young kids) a list of items they see around them or they have purchased recently and sort them out in two columns: needs and wants. Trigger their interest: send them an activity every month and give them an incentive... which is not monetary! What about one thing which is unique like spending one day with you – just your kids and you, doing the activity they choose, when you come back. Anything very special that money cannot buy.

A second activity can consist in making them understand that money is limited. Why not give them a virtual sum of money (you write the amount in your letter or your email) and ask them to find out what they could do with it. For the teenagers, give them a virtual sum which roughly amounts to a first salary. Then review, their choices: have they spent it all? Have they kept some for later? Have they spent a lot on wants not keeping enough for needs? Write them back with pieces of advice without sounding too preachy!

If you can afford it, instead of sending money whenever they ask for it, send a fixed amount every month and ask them to manage it. This is the best way they can really learn about money matters. Teach them how to track every peso spent. This is a life long skill and one of the secrets of money: tracking is essential. A recent study from the main credit cards in the USA has shown that people cannot figure out what they have done with their money for around US\$200 a month! This is an expensive gap! And the young people have the biggest gaps. Show your children how to track every expense by either asking for receipts or noting down every thing:

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Because money is more than adding up figures

date, amount, type of expense... and if it is a need or a want. At the end of the month, they can sum up and see what they did with their money. And be fair: whatever they save, they can keep it. If you can afford it, you can also add an amount to their saving if they have saved more than 30% or 50% of their monthly allowance. Make the rule clear and easy... and affordable for you. This will teach them the importance of saving. Also make sure they keep the money safely.

The best way to show you children about planning and budgeting is if they have a dream or toy that they really fancy. Make them enquire about the price of it and compare it in different shops. Ask them if they are alternatives and why they want this toy. Once they know the price, make them write a little budget: how much they get every month, how much they spend and how much they can save for this goal. That way, they will understand the importance of planning.

Financial education is a life long skill and what you teach them through these activities can have an invaluable impact in their lives once they reach adulthood. This is worth taking some time to do it. They will learn from you the value of money but also that money is not everything: you are valuable to your children, not just because you earn money!

If you have questions or need help in implementing education activities for your children, send me an email: Sophie@aandbmake3.com , call 2868.5399 or read www.aandbmake3.com. Enrich, our not for profit partner in Hong Kong, gives courses on money matters (2817.8928)