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Creating 'fiscally' fit kids

(not rated)

Strategies to help you raise a healthy, happy family—one nickel at a time

By Matt Alderton



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Thanks to trans-fats and high-fructose corn syrup, our families are getting fat. In response, schools and communities nationwide have commenced a fierce fight against childhood obesity. They've enacted trans-fat bans, removed soda from vending machines and created "get moving" campaigns to promote exercise and physical fitness.

Like doctors, they've observed the symptoms and diagnosed the problem, and now they're working on a cure. Unfortunately, the same communities that are treating one disease are letting another one spread unchecked, according to financial psychologist Brad Klontz, co-author of *Mind Over Money* and cofounder/CEO of YourMentalWealth.com. "Only 15 percent of teens receive any sort of personal finance education in schools, and 50 percent of them fail when tested on basic personal finance," he says. "We're definitely missing the boat."

Schools are one reason. Parents are another, suggests a recent study from ING DIRECT, which found that parents are more prepared to talk to their kids about drugs and alcohol (32 percent) than money and finances (26 percent).

That's a problem, according to Lori Mackey, author of *Money Mama & The Three Little Pigs* and *Design Your Child's Financial Future*. "I have a saying: A's in school never outperform F's in finance," she says. "The last couple of years have proven that. If we'd been a more financially literate society, a lot of what's happened during the recession could have been avoided. I think it shows that how to manage money is one of the most important things we can teach our children."

It's important not only for kids' bank accounts but also for their well-being. "It teaches a core set of values around responsibility, delayed gratification, taking care of yourself, managing resources and planning for the future," Klontz says. "When you're fiscally responsible, that's going to trickle into other areas of your life, too."

In other words: Financial fitness is just as important as physical fitness. Because it can help them avoid credit card debt, bankruptcy, home foreclosure and maybe even addiction, here are four ways to help your kids build bigger money muscles.

- **Seize the moment:** The best way to teach money is to talk about it, according to Aaron Forth, vice president of product at Mint.com. "Your children see you buying stuff every day, and that's a great place to start," he says. For your youngest children, talking about money might mean narrating a transaction at the grocery store so they know you're exchanging money for goods and services. For older children, it might mean explaining credit when you get a credit card solicitation in the mail. The key is seizing teachable moments as they happen.
- **Encourage hands-on spending:** When her 15-year-old son was a boy, Mackey let him buy his own treats. If he wanted a toy, for instance, she'd give him a dollar, let him pick something out, then have him physically hand the cashier the money. "He learned that he had to give away the dollar to get the toy, so he'd put the toy back and keep the dollar," she says. Parents can use the same strategy to teach budgeting: When your family goes to the movies or takes a trip, give your kids a predetermined amount of money to spend as they please and allow them to keep what they don't spend. At a restaurant, for example, you might give your children a \$10 budget; if their meal costs \$8 and a soda costs \$2, they'll learn to save money by ordering water.
- **Give allowances:** Thanks to ATMs, many children think money grows on trees—or inside walls. "Children think money comes from their parents, the bank and the government," Mackey says. "What they don't understand is that money comes from earning it." Giving an allowance is a great way to teach children how to earn and manage money—especially when that allowance is structured. Mackey, YourMentalWealth.com. "Only 15 percent of teens receive any sort of personal finance education in schools, and 50 percent of them fail when tested on basic personal finance," he says. "We're definitely missing the boat."

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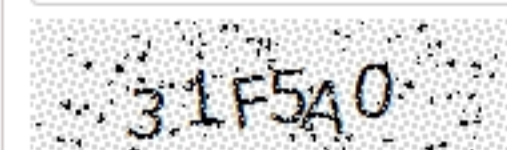
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