

YOUR MONEY



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Essential lessons to turn kids into smart spenders

START EARLY SO CHILDREN GROW TO BE CASH SAVVY



BY HARVEY JONES

AS schools reopen, parents and grandparents should give home schooling one last shot by teaching children an essential lesson in how to manage their money.

The pandemic has shown all of us the importance of saving for a rainy day and we need the next generation to learn it, too.

Almost nine out of 10 young people aged between 16 and 24 say school did not teach them financial lessons.

And many face debt problems as a result, according to research from money-saving app Student Beans.

More than one in three have credit cards and overdrafts, owing almost £2,000 on average, but don't know what interest they are being charged.

It is never too young to start learning about money, so here are some lessons worth passing on.

Lead by example

Cathy Crewdson, partnerships

manager at netvouchercode.co.uk, says balance your household budget and live within your means as children will learn from how you handle money.

"If you have a flippant attitude to managing your finances, chance are they will too.

"When the shops reopen, take them with you. Show them how much – or how little – you get for your money."

Teach them the value of money

When you are out shopping with your family, resist pester power.

This will save you money and pass on a valuable lesson, says Abigail Yearley at topcashback.co.uk.

"Teach children the difference between wants and needs."

Nicholas Agwuncha, co-founder of Money Medics, suggests teaching an economic concept that is called "opportunity cost".

"Tell them if you buy this toy, you will not be able to afford that video game. That way they will understand

they can't have both."

Get them saving

Banks and building societies offer children's savings accounts and most of them will pay higher interest than adult accounts.

HSBC pays 2.5% on balances between £10 and £3,000 for children aged seven to 17, while TSB pays 2.5% on up to £2,500, from age 11 to 18.

Pete Mugleston, money expert at Online Money Advisor, says the responsibility of running an account is a great life lesson.

"Monitoring their balance will make them feel grown-up," he says.

Old-fashioned methods such as a money jar can pay off too.

Pete adds: "Watching the coins build up is an exciting way to teach the concept of saving."

Let them earn their keep

Children may value their pocket

money more if they have worked for it, Mugleston says.

"Start off simple, by rewarding them for doing household chores, and you

can encourage teenagers to get a weekend job."

Start small, think big

Martin Goycoolea, head of growth at maths learning platform Eedi, taught his nephews to do a simple budget in Excel to track where their pocket money went over a year.

Seeing how small numbers add up over time proved to be a real eye-opener. "They learned they could swap a short-term gain such as sweets

for long-term satisfaction, say, saving up for a new guitar," he says.

Warn about debt dangers

As well as lessons on saving, teach your children the danger of debt.

Lucy Cohen, co-founder of online accountancy service Mazuma, says adults shy away from this topic.

"Go into the nitty gritty of the consequences of buying things you

cannot afford and becoming reliant on credit."

Teach children how interest rolls up if you do not pay it off in time, until it races out of control.

Put them in charge

Emma Hammond, financial planner at wealth management firm Charles Stanley, suggests putting children in charge of the family budget for a week or even a month, under your supervision, of course.

"Talk them through your income and regular costs, such as house-

hold bills, food and clothes, and extras such as dental appointments, school trips and sports clubs."

At the end of the month, discuss their experiences.

"How much money was left? What did they learn? Could they have spent less and how?"

Teach them to keep score

When your children turn 18, discuss the importance of credit scores.

Hammond adds: "If you have a poor credit score, lenders may charge higher interest rates, offer a smaller credit limit, or reject a credit card or mortgage application. Teach your children how to boost their score."

Charity begins at home

Laura Laidlaw, head of customer savings at Standard Life, says you should teach the importance of giving.

"As a family you might have a favourite charity you support, alternatively, awareness days and events like Comic or Sport Relief are a great time to discuss donating.

"Or they could sponsor a child in another country."

Fraud warnings

Your children may be more tech savvy than you, but also more casual about sharing personal information on social

media or email, Laidlaw says. "Warn them that their bank would never ask them for personal or account details by email or text."

It's different

for girls

Vivi Friedgut, founder of student financial wellbeing company blackbullion.com, says women earn less, save less and invest less, and have less money at retirement as a result.

"Teach girls to take responsibility for being financially independent. Talk about the opportunities money provides rather than the stuff it buys."

Saving early will also give them a pot of cash if they take a career break later, say, to start a family, Friedgut says.

Invest time in their future

Educating children about pensions and investments won't be easy, but should pay off in the longer run.

Emma-Lou Montgomery, associate director at Fidelity International, says setting up a junior ISA which will pay out at 18 can give them a healthy start.

"While cash seems safer, shares should give a higher return," she says.

Mum knows best

Fiona Salmon, 43, reckons she saves almost £1,500 a year by sticking to frugal principles learned from her mum, Tricia, 76.

"She taught me to live within my means, avoid debt, keep a tight handle on grocery bills and research bigger purchases to avoid wasting money," she says.

These lessons have lasted a lifetime.

"Our kitchen tap broke and I could hear mum's voice saying 'buy cheap, buy twice'.

"I know she's right."

And mum-of-three Fiona, from Beckenham in Kent, is far from alone.

Half of adults want to thank their mum for teaching the value of money, while a third still get regular tips, according to research from broadband provider Plusnet, ahead of Mother's Day this Sunday.

Fiona says her mum was born in 1944 and grew up with the post-war attitude of 'make do and mend'.

"She was never excessive or flash and neither are we."

Fiona and partner Andrew do a



**CHILD'S
PLAY** ■
Fiona, with
Andrew, ■
Chloe, Joe
and Finn ■

weekly grocery shop and plan family meals to avoid food waste.

They clear their credit card every month by direct debit, so never have to pay interest.

She is determined to teach her daughter Chloe, six, and four-year-old twins Joe and Finn to be financially literate.

Chloe is already asking whether some things are expensive and why they are.

"She has a piggy bank and told me she wants to buy Daddy a Lamborghini. I said if she keeps saving, maybe one day she will."



SMART
Fiona,
and Max

Catch their interest

Every time Fiona Chow's son, six-year-old Max, gets money gifts, she splits it three ways.

"He gets a little to spend, a little in his moneybox and a little in a savings account.

"I have been drumming this into him since he was a baby."

Sometimes Fiona, 42, from Cheshire, worries she has taught him too well.

"I once had to borrow a pound coin from him to pay for supermarket parking.

"I gave him a pound back but he kept his palm out. I'd taught him when people borrow money they have to pay it back with interest."

The lesson paid off for Max, who got another 50p for his cheek.