

Teaching your kids healthy money habits

With a few simple changes, you could set a good example for your children.

Research shows that parents' actions affect their children's behaviour and the effects can last into adulthood.¹ This puts the onus on parents to ensure kids have the skills to make smart financial decisions – from learning about the importance of saving to the power of compound interest.

But did you know that you could be sending negative messages about money to your children without meaning to? Here are some common ways you could be teaching them unhealthy money habits – and how you could send constructive messages instead.

Revealing the magic behind digital money

Your children have likely seen you pay for hundreds of transactions without glimpsing cash changing hands. In this age of digital payments and credit and debit cards, teaching kids the value of money is not easy. For small children, it can appear that money problems are solved with magic – just wave or tap a plastic card.

This makes it even more important to discuss money with your children. A good way to start may be to explain how your earnings get deposited into your bank account and how you use this account to pay your bills and other expenses. For older children, consider showing them how taxes are deducted from your salary and how a credit card works.

Spending wisely

While it's normal to spend on a whim every now and then, frequently buying things on an impulse could send the message that it's fine to spend without planning.

The key to avoiding impulse-buying is to stick to a budget. To set an effective budget, consider working with a professional financial adviser. Your adviser can help develop a budget that factors in your income, expenses and financial obligations to help you rein in discretionary spending.

Once you have a budget, it is worth talking to your children about it – how it works, why you use it and how it helps your family's finances. You can even get older children to help plan the budget, or do the family grocery shop with the amount you have allocated from the budget – see if they can better your budget!

Teaching independence

It's convenient to do everything for your children, from paying for their sports or music lessons to taking care of their phone bills. But by giving them a chance to have their own money and decide how and where to spend it, they could learn powerful lessons about budgeting. If they end up blowing all their money at once, that's fine. They'll likely learn a lesson or two.

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For adult children, offering them financial help or bailing them out frequently can create a cycle of dependency. Letting them make money decisions on their own could help them develop financial responsibility.

It is never too early to start to give children pocket money for chores, and allowing them to decide how they will spend and save the pocket money. Help them along by having an age appropriate conversation about what they may like to save for in the future and the importance of not blowing all their money on treats as soon as they get it.

Including them in planning and budgeting

Many parents keep household financial planning and budgeting to themselves. They believe their children are not ready for that kind of conversation or responsibility.

While you don't have to fully involve your children in managing your family's finances or put any burdensome worries on them, giving them a role to play can teach them valuable lessons about money. It can be as simple as showing them the income and expenses of your family budget each week. Or you could ask them to do some research on what you are paying in bills and if there are any savings to be had by switching providers. If your children are old enough to earn some income, why not help them set up their own long-term financial goal such as saving for a home deposit? Whilst it may not seem important to a teenager, it will be important to them in a few years, and you have set up the groundwork for a good, long term saver.

If you discuss the family budget with your financial adviser, ask your children to come along so they can hear how important it is to your family to have a sound financial plan in place that has been helped along by a qualified professional.

Using your influence positively

Parents can strongly influence children in relation to money, so it's important that you pass on smart money management skills. If you don't know where to start, consider reaching out to your financial adviser to help you stay on top of your finances through proper planning and budgeting.

¹ Webley, P & Nyhus, E, 2006, 'Parents' influence on children's future orientation and saving', *Journal of Economic Psychology*, accessible at: <https://www.sciencedirect.com/science/article/abs/pii/S0167487005000577>.