## **Six Ways to Teach Your Kids About Saving Money**

Source: [www.windgatewealth.com](http://www.windgatewealth.com)

Saving money is one of the most important aspects of [building wealth and having a secure financial foundation](https://www.windgatewealth.com/what-we-do/wealth-management/).  Yet many of us have learned the importance of saving money through trial and error, and more importantly, experience.

In school, we aren’t really taught about the importance of saving and many of us find that as adults, we have to fend for ourselves.

But there are ways to empower the next generation, and that starts by teaching children the importance of saving from a young age.  If you are a parent, here are 6 ways to teach your children about saving money.

### **Start WITH A PIGGY BANK:**

A piggy bank can be a great way to teach your kids the importance of saving, while giving them an easy way to do it.  Tell your kids that the goal is to fill up the piggy bank with dollars and coins, until there is no room.  Illustrate that the piggy bank is for saving money for the future and that the more they save, the more their money will grow.  [Here is how Kevin O’Leary of Shark Tank used a piggy bank to explain compound interest to his own kids.](https://www.youtube.com/watch?v=XjTQW4efqQc)

### **OPEN UP A BANK ACCOUNT:**

Once the piggy bank is full, take your child to the bank to open up a savings account for them.  Have them count how much money is going to be deposited, so they can have a physical understanding of how much money they have.  Show them the final number and reinforce the idea of interest.

It can provide a great source of motivation for your kids if they understand that their money will grow over time as long as they don’t touch it.

**USE SAVINGS JARS:**

When your kids really want the latest and greatest toy or a new action figure, let them know they will have to save up for it.  Give them a jar for each of their desired purchases and offer them a small allowance each week in a denomination that encourages savings.

For example, if you give your child five dollars a week, give it to them in one dollar bills.  They can save all their cash for one purchase, or they can contribute to different “jars” for various savings goals.

To encourage saving up for their short-term goals, put a picture of their desired toy or item on the jar, so they have a visual reminder of what they are working towards.

### **CREATE A TIMELINE:**

As a kid, the concepts of money and time can be hard to grasp. Research has shown that the impact of a one hour financial lesson wears off after about five months. In order to make the message stick, money education should be timely and ongoing.  If you know your child receives a $50 check for their birthday each year, the moment to talk about budgeting is right before receiving that check.

One way to keep money lessons ongoing is to create a timeline so that your child can visualize when they will reach their goal.

Let’s say you give them five dollars a week and they want to save up fifty dollars.  If they saved one hundred percent of their allowance, they’d reach their goal in ten weeks, or roughly three months.

Start by getting a long piece of paper and a marker.  Have $0 on one side and $50 (or whatever goal amount) on the other side.  Create checkpoints on the paper for when they reach 25%, 50% and 75% of their goal.

Every time an amount is saved, draw a line illustrating how much was saved.  Let your kids know that they will get small rewards at each checkpoint. Small rewards can encourage kids to keep going.  Visuals are also helpful in illustrating their savings goals and how their money is growing.

### **LEAD BY EXAMPLE:**

Children learn by example, so the best way to teach your child about saving money is to save money yourself.  Have your own jar of money that you put funds in regularly.  When you’re out shopping, show your children how to discern between various prices and explain why buying one item makes better sense than another.

Reiterate the message that every time you get paid, [you save a portion of your check to help prepare for the future](https://www.windgatewealth.com/what-we-do/financial-planning/).

Teach your kids about why and how you are saving for their college education.  If you do not yet have a college savings account, take a moment to understand [Our Five Steps to an A+ College Plan](https://dev.windgatewealth.com/five-steps-to-an-a-college-plan/).

### **START A CONVERSATION:**

One of the most important things you can do is to start a conversation about money and the importance of saving. Money doesn’t have to be scary or a taboo.  Use financial discussions as teachable moments. An innocent question such as “Are we rich?” can be answered in a way that emphasizes family values, such as hard work and responsible spending.

Let your children know they can have an allowance, but it’s up to them to save up for things they really want.  In addition, illustrate how much their money can grow over time if they save.

Also discuss the difference between needs and wants and tell your children you are always open to talking about money and new ways to save.  Ask them about what they want to save up for.  Ask them what they want their future to look like.

Asking good questions can get them to [think long-term and have a positive relationship with money](https://www.windgatewealth.com/what-we-do/your-personal-risk-number/).  Letting them know you’re always open to have a conversation about money can encourage them to ask questions of their own to keep learning.  The graphic below from the JumpStart Coalition for Personal Financial Literacy can provide you with learning benchmarks based on your child’s age.

Teaching kids how to save money may seem like a tough task.  It has even been said that parents are more likely to talk to their children about sex than about money.  But using these tips, you can make your child’s understanding of money fun and accessible.  It’s an investment in knowledge which truly pays the best interest.