



It's never too early to start teaching children about the value of money



Take an activity-based approach to teaching your children about the importance of managing their money responsibly, and watch their development as they grasp fundamental concepts.

Most parents feel the need to leave a financial legacy for their children. To that end, they're on a constant quest to find better-paying jobs to provide an improved lifestyle for their progeny, with the ultimate goal of leaving them with a financial nest egg.

But are these parents barking up the wrong tree? While leaving children financially secure with a monetary legacy can be greatly beneficial and surely appreciated, arguably the most helpful legacy is instilling in them the principles of the value of money, how to manage their money responsibly, and setting goals so that they can solidify their own financial security.

As much as it is our responsibility as parents to feed, clothe, educate and love our children, to teach children how to value and manage money is just as important. Don't wait until your children are teenagers to start imparting these lessons. In fact, lessons about money should start as early as preschool and should not be limited to teaching them how to save, but also how to spend.

Spending within your means

How you spend has consequences beyond the immediate desire to acquire something. My personal mantra is to spend less than I earn and buy less than I can afford. This means I only spend on my credit card what I can afford to repay at the end of the month.

This mantra was put to the test earlier this year during a shopping trip with my children. Having seen an expensive Lego set that he desperately wanted, my son asked me to buy it for him. I declined his request saying it was too expensive. 'Put it on your card', was his suggestion.

I explained that you still have to pay for whatever you spend on your credit card, and earn enough to cover that spend.

Using an adapted version of a children's story called More than Enough, distributed by Foord Asset Management, I explained that when squirrels get old they don't have as much energy as they did when they were young, and instead prefer to rest and enjoy the forest a little more. On the other hand, when they are young, they are full of energy and need to collect as many acorns as possible. This is so that they and their family have enough acorns to eat; they also need to collect acorns for the winter months when it might be more

challenging to find food; and they need to collect acorns for when they are old and don't have the energy, or the ability, to go out and look for acorns.

This simple story translates well into our daily lives, providing motivation to both earn and save. Firstly, we earn money so that we can afford to buy food and clothes, pay the rent or a bond, own a car, pay school fees and, if there is sufficient money, perhaps go on holiday.

At the same time, we need to create an emergency fund in the event that something goes wrong: to repair the car should it unexpectedly break down, provide for an unexpected health emergency, or cover expenses should we lose our job and our income stream. An essential part of this emergency fund is long-term insurance, which will provide for you and your family in the event of death or disability.

Lastly, we all need to save for retirement - that time when we're too old to work and no longer have the energy or ability to 'go out and look for acorns'.

Understanding the difference between needs and wants

Teaching children how to distinguish between their needs and wants is a difficult but important lesson, and a critical first step towards self-control and financial discipline. It teaches the tough life lesson that you can't have everything you want, but ultimately helps children see the world more pragmatically. My son, for example, 'wanted' the expensive Lego set, but he didn't 'need' it.

Show them how to spend

As much as it is important to teach children how to save, if all they are doing is learning how to save they are losing out on an opportunity to learn how to spend their money. Providing children with regular pocket money presents the chance to learn a valuable money lesson if they are taught to save a portion and are only allowed to spend the balance. The amount of pocket money you decide on is less important than the principle.

I started giving my children pocket money and allowed them to manage their own debit cards, on the condition that half the pocket money goes into a 'spending account' for whatever purchases they