

How to raise money-smart kids

a guide for pre-schooler and teen parents (aunts and uncles too)



Introduction

Hi there! Before we get into it, I'd like to tell you a story. I was blessed enough to grow up with a ton of siblings. While that meant amazing holidays and getaways growing up, the older we got, it meant tons of gifts for my almost endless growing bubble of nieces and nephews. From birthday gifts, to Christmas gifts, to the gifts "just because", the list is limitless. Too bad my bank account is not. Last Christmas, I had my youngest nieces come over to stay for the holidays. At some point, it hit me – they had grown, and so had their demands. When kids are much younger, you can get away with buying a simple lollipop or teddy bear. They could be easily satisfied. The older they get, the more they aspire. And so the story begins. Anywhere from themed clothing and accessories, to playsets, to makeup, to pricey outings and iPhones. My most recent bout with the nieces happened on an otherwise ordinary Wednesday while we watched Nickelodeon. An ad for the new Nintendo Switch came up. Our eyes locked. "Aunty Bee, can you please buy us a Nintendo switch?" they asked. My first thoughts were; "heck no, I can't even afford the PS4 I've wanted since last year, get in line." Luckily, for them, my nieces have my "mumu button", so instead of saying no, I said I'd think about it. These kids are sharks, the minute they smell blood they do not stop until they eat. As long as you do not say no,

they will keep the pressure up. And I acquiesced. On the appointed day of purchase/purchase check, I tried to cushion the impending inevitable financial blow. It cannot be that bad, let's find out how much this bad boy costs. It seemed like a pretty small device. Sadly, at a little short of 200,000 Naira, the damage was not small at all. I looked at my nieces in shock. I could not even be mad because they simply did not understand. Thinking on her feet, one of them asked that I pay her a bit of an allowance for completing chores around the house. I hurriedly agreed. Kids are always trying to negotiate an allowance or some cash-in-hand constantly, and at that point, it hit me. Why aren't there any programs, curriculums or tools aimed at teaching kids the crux of money management? I let the thought simmer over time. I came to an agreement with my niece to give her three-quarters of the funds, while she "worked" for the remaining quarter. We came up with a list of chores for the holiday – and rewards for each chore. By the end of the holidays she managed to make half of her goal. She knew the holidays were coming to an end and so opted to save what she had earned and "work" up towards the rest by carrying out chores when she got back home. I was impressed by her doggedness to increase her earnings, since she clearly could not buy a Nintendo Switch with one wage. I also became quite inquisitive about kids and money. I set out to do some digging. It is surprising how little time and deliberate effort

parents put into teaching their kids about money. Financial literacy is something parents and guardians often neglect, with the false hope that the schools will do it, or the child will instinctively pick up the skills as they grow older. Whatever the reason might be, the truth is, kids aren't born with money skills, because nobody is. Nobody picks these things up without guidance and direction, be it a frugal parent or a skint friend. They do not pick them up naturally and the schools are not teaching them. Financially responsible parents will raise financially responsible kids. Or in my case, aunties. Not the schools, not their friends and not television - we are our children's best chance. The onus is on us to impart those skills. Then it all made sense. I had to apply this realization. My nieces were not going to catch those skills spontaneously, and if we wanted them money-smart, it was something we were going to have to teach. And that's how I came up with Earlybean. As I researched and pieced bits together, I realized that financial literacy for kids is like a pie with five slices: *Earning, Saving, Investing, Spending and Giving*. The rest of this guide will show you some ways to help your kids learn, practice and hone their financial skills.

EARNING

First things first. If you want your kids to learn to manage money, they actually have to have money to manage. Giving

them the chance to manage real money from an early age allows them to learn the concepts of trade-off, opportunity costs and budgeting. They would quickly see that in certain cases, they would need to pick between getting a box of pizza and paying for Fortnite on the app store. Now there are two ways to go about it. You can stick to what you probably currently do which is the love and charity method or you can adopt the more preferred allowance system.

The love and charity method is simply giving them money at the point of (semi)genuine need. While this is much easier for us parents, it really does not do any good for the kids, as they are not learning much about money management and as established earlier, once they know they'd get what they want if they ask long and hard enough, they will take advantage of it. Giving them either a fixed allowance, an earned allowance or even better, a blend of both not only saves you a lot in the long run, as you're able to actually budget and track what they give, it also helps them learn to prioritise, budget, save and learn from any mispending mistakes. As the names imply, a fixed allowance is one where you give your kids an agreed amount of money at an agreed frequency (weekly, monthly, etc), and an earned allowance is one where your kids earn based on the completion of specified tasks and behavioural rewards. For example, completing chores, activities or engaging in

community service. Be careful with this though, you should avoid giving them payments for things that would normally be their responsibility – like washing the dishes, cleaning up their room. If you do this, you risk them thinking they can be paid for good behaviour or rudimentary tasks. A good approach would be to reward them for chores that are not normally their responsibility – maybe babysitting a younger sibling, washing a car at home, or generally, chores that you would otherwise hire someone to do. Some innovative ways to give pocket money for chores is to set up a ‘pay per chore system’. You set a price per chore and pay once the chore is completed. Alternatively a system where their chores unlock their allowance, with no set amount assigned to individual chores, but as they complete each chore, their pre-agreed allowance is released to them. My personal favourite is a system where you set core chores, which are part of their responsibility, and give them the opportunity to earn extra money by completing agreed extra jobs. This helps create a balance, as they do not feel they should be paid for doing literally anything and at the same time, they learn that money is earned through hard work and going the extra mile.

If I’ve been able to convince you to give your kids an allowance, you’re probably at that point where you’re wondering how much allowance you should give them. The truth is, there are no

wrong answers. This is relative. Some determinants to consider are age, chores, what their friends might be getting, or better still, take some time to calculate how much you currently spend on their wants and wishes, and lump that or a fraction of that into an allowance.

SAVING

Now that we've managed to convince you to take the dive and give your kids some money to manage, the next thing is to teach them how to save it. You see to kids, saving means having less money – which really isn't the case. It's the exact opposite. Saving is essentially delayed gratification. The pleasure of putting some money aside now, so you can stack it up and have more money to spend later. Kids need to understand that – which is why those money gifts from aunts and uncles that you receive on their behalf should get back to them, so they can trust the concept of saving. One popularly tried and tested way to teach kids about saving is by getting them a piggy bank and ensuring that they actually receive money for it to be in use. The piggy bank system shows them first hand that if they pile their money away, it will accumulate to a larger amount after a specific period. Unfortunately, this is where most parents stop. The next natural step should be teaching the kids about investing some of the money they have saved now so they can make more money eventually. This is

the most effective way to prepare them for the real world, because as we all know, in modern-day Nigeria multiple sources of income are not encouraged, they are advised. Parents should ideally find ways to incorporate the teachings of compound interest. You can do this by getting two jars – one for their savings, while you deposit an agreed compound interest in the second jar. This way, they learn that the more they save, the more their income grows. If you were wondering when to start teaching them about compound interests, once they are able to multiply is a good time.

The beauty and importance of Earlybean is that it allows you and your kids to build an efficient parent-child financial relationship on the most personal level in professional banking. It is more than just funding their lives and education. What you teach them about money will carry into how they treat money and other people. We are here to enable you to do that.

SPENDING

Breathe! Don't panic! Parents hear about their kids having some cash-in-hand and they immediately become the police. I always felt that the knowledge releases a feeling of anxiety in parents, as though if they aren't in control of their funds then they can't control their spending habits. Not only is that controlling, but it is also counterproductive to our cause. The

argument for money setting the child up for being irresponsible is substantial. While I hear the far-right parents, the plan is to help your child devise ways to spend wisely and not to hinder them from spending. Mistakes are inevitable. There's always a learning curve to be conquered. They will occasionally spend more than they should before they receive their next allowance, they will call you to bail them out of an outing gone awry, but there is no need to panic. There is also no need to become a pushover or enabler. Every event creates a barometer of their spending proclivities. This will show a pattern that can help you prepare for their needs in an unprecedented manner. See every mistake as a learning opportunity, and they will learn to budget and save better. They will begin to grasp the need to prioritise.

Some things to do with them to help reduce spending mistakes would be to teach them the difference between needs, wants and wishes. Have them create a spending plan according to the categories. You will begin to see marked differences in their planning. They will start to plot around their allowance, mapping out what should be bought, what should be saved towards, and perhaps what to put on their birthday or Christmas wish list.

GIVING

I believe this goes without saying – teaching your kids to give and share is an ultimate life lesson. It goes beyond just their financial lives. Think to times where you have given or shared with someone that you knew could not pay you back. The warm feeling when the person smiled or hugged you in appreciation. Biologists say that when people give, it activates parts of the brain associated with trust, social connection and pleasure. Giving makes us happy, sparks gratitude (not just in the receiver but also the giver), and as the popular saying implies, it makes the world go round. These feelings are amplified between kids. It leaves a lasting effect on both individuals.

I asked one of my nieces what she would do if she got the chance to actually save some money. To my surprise, besides her lofty dream of going to Miami, she mentioned how much she'd love to save so she can give money to the elderly when she grows up. For me, it was amazing to hear. An absolute moment. She didn't care about just receiving, she had realized she was privileged enough to have, and that there are other people out there who are not as privileged as she is, who need help too. This, more than anything, made the decision to buy them the Nintendo Switch worthwhile. Because clearly, they get it and they would get it even better if we start to become more conscious in teaching them the value of money.

To start teaching your kids to give, you can find out what charitable causes they feel connected to. Then you can work out what percentage of their allowance and the frequency of payments to their causes. Remember, it doesn't need to be huge amounts. As a family, you can set out days in the year when you volunteer or visit a charity to share gifts and food. You can even bring it much closer to home by having them select old clothes and toys at the end of the year. They can donate to other kids at Christmas. There are a lot of ways to teach kids to be generous givers. Everyone should take out some time to see what they prefer and what works best if they can afford it.