

# Kids & Money



**Credit**  
Canada



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Proceeds from sales are directed toward consumer education in money management skills.

## Contents

Kids & Money .....	4
Ten Rules of Money Management .....	4
Teach Your Children Well .....	5
Teach Kids Responsibility with Money .....	5
Giving Your Child an Allowance .....	6
Examine Your Money Attitude .....	7
What to Teach Your Kids About Money .....	8
My Spending Plan .....	10
Personal Budget .....	11
Budgeting Tips for Parents & Kids .....	12
Are You Facing Credit Difficulties .....	15

## Kids & Money

Children are not born knowing how to use money wisely. It takes years of patient teaching and guidance to help kids learn to become effective money managers.

The schools spend some time teaching money skills, but the home is the main influence on kids'

attitudes towards money. If parents handle money responsibly, children eventually learn to follow their lead.

Thus, the best way to teach your children to use money wisely is to practice good money management yourself.

## Ten Rules of Money Management

- 1. Plan.**  
Plan for the future, major purchases and periodic expenses.
- 2. Set financial goals.**  
Determine short, mid and long range financial goals.
- 3. Know your financial situation.**  
Determine monthly living expenses, periodic expenses and monthly debt payments.
- 4. Develop a realistic budget.**  
Follow your budget as closely as possible. Evaluate your budget. Compare actual expenses with planned expenses.
- 5. Don't allow expenses to exceed income.**  
Avoid paying only the minimum on your charge cards, try to pay more. Don't charge more every month than you are repaying to your creditors.
- 6. Saving is good.**  
Save for periodic expenses, such as car and home maintenance. Save 10 to 15 percent of your net income. Accumulate three to six months salary in an emergency fund. Put money away for retirement, by opening a Registered Retirement Savings Plan (RRSP) and take advantage of current income tax rules that allow for other tax-deductible savings.
- 7. Pay your bills on time.**  
Maintain a good credit rating. If you are unable to pay your bills as agreed, contact your creditors and explain your situation. Contact Credit Canada Debt Solutions for professional advice.
- 8. Distinguish the difference between needs and wants.** Take care of your needs first. Money should be spent for wants only after needs have been met.
- 9. Use credit wisely.**  
Use credit for safety, convenience and planned purchases. Determine the total you can comfortably afford to purchase on credit. Credit payments should not exceed 15 to 20 percent of net income. Do not borrow from one creditor to pay another.
- 10. Keep a record of daily expenditures.**  
Use a "Monthly Budget Tracker" daily expenses budgeting booklet to assist you in identifying how you spend your money and where any adjustments need to be made.

## Teach Your Children Well

Studies have shown that children are happier and better adjusted when they grow up in a loving and caring home where discipline is maintained. Children are always looking for patterns and routines – especially when it comes to any form of treats or special privileges. To avoid arguments, plan ahead so that your child does not develop costly expectations and habits.

To prevent young children from having temper tantrums in stores, resist giving in to your children's requests for a special treat except on very rare occasions. For example, you may want to buy ice cream cones for the family during a particular outing, but consider whether this would be

practical for every trip with your children. It is often easier if you explain right from the start that treats are rare, not an everyday occurrence.

Parents of older children and teenagers often complain about their kids insisting on exorbitantly priced designer jeans and shoes. But sometimes parents unwittingly encourage this kind of behaviour by making a fuss about keeping preschoolers in name brand clothes or having many different fancy outfits or special-purpose pairs of shoes. Children form their attitudes to personal style surprisingly early. Make sure their expectations match your income potential.

## Teach Kids Responsibility With Money

### Following are ten basic steps to teach kids responsibility with money.

1. Examine your own attitudes about money. Remember that children learn a lot about how to handle money by watching their parents. Be careful to set a good example.
2. Give your child an allowance and let him or her be in charge of spending it. As soon as your child understands that people use money to buy things they want, give him or her a small weekly allowance. Raise the amount each birthday to keep it in line with your child's reasonable personal spending needs. Encourage him or her to plan purchases in advance, and learn to budget.
3. Expect your child to contribute to family chores. When your child is old enough to get his or her first allowance, assign a chore that he or she can be responsible for doing regularly.

Each birthday negotiate a new plan for assigned chore(s) to reflect the child's growing ability to contribute to the family.

4. Provide extra income opportunities. Occasionally offer your child an opportunity to make a small amount of extra income by doing an extra chore.
5. Teach your child to save regularly. Set up a process for saving money in a piggy bank or bank account. Regularly monitor how much has been saved, and talk to your child about long-range goals for using the money.
6. Help your child discover the satisfaction of sharing. Encourage your child to identify ways he or she can spend money on helping others.
7. Show your child how to be a wise consumer. Before your child buys something, review alternative ways of spending the money to emphasize the necessity of making choices.

## Teach Kids Responsibility With Money

Teach him or her to comparison shop for prices and quality. Discuss how advertisers persuade people to buy their products, and encourage your kids to be savvy about commercials.

### 8. Teach your child a healthy attitude toward credit.

When your child is old enough to understand what credit is, consider allowing him or her to borrow a small amount of extra money from you to make a major purchase. Negotiate how much your child will repay each week from his or her weekly allowance, and then be very careful about collecting the money and keeping track of the remaining balance each week until the debt is repaid.

### 9. Teach your child the value of wise investments.

When your child is old enough to understand interest rates and rate of return, play an investment game to learn about alternative investment strategies and financial risks.

### 10. Involve your child in family financial planning.

Let your child see you planning your budget, paying bills, shopping carefully, and planning major expenditures and vacations. Explain the affordable choices, and allow kids to participate in the family's decision making process.

## Giving Your Child an Allowance

### Guidelines for Success

In order to learn to spend money wisely, children must have money to spend. Most parents believe that their children should get an allowance so that they can learn the vital money management skills they will need later in life.

Usually six is the right age to start giving an allowance. By this time, children know enough about counting and the relative value of various coins to be able to understand the purchasing process, and they are comfortable choosing what they want in stores.

The amount should be small – around \$1.00 – and it should be given weekly on a set day of the week, such as Sunday. It really helps if you keep a special jar for your coin change with a payment log in it, so that you'll always be able to give your children their allowance on the agreed day rather than trying to keep track of whether or not you've paid.

Initially, children usually use their allowances mostly for buying treats for themselves, their family members, and their friends. After one or two

years, parents should help their child decide on a budget for splitting up the allowance each week, with specific amounts allocated to saving for bigger purchases, saving towards gifts for others, and/or giving to charity.

Each birthday the amount should be reviewed to see if it should be increased. The amount will depend on what the child is responsible for buying with it. Allowances should be adequate to let children experience buying some of the things they want within a reasonable length of time, but they cannot be so high that paying weekly allowances will become a financial burden for the family. Many children have a weekly allowance by the time they are teenagers.

Do not worry if the size of your child's allowance is different from those of his or her friends. The amount should reflect your child's needs, your agreement about how the allowance is to be used, and your family's financial situation. What is important is that your child learns money management skills, not how much he or she acquires with it.

There are various theories regarding linking the

## Giving Your Child an Allowance

allowance to the child's weekly chores. Some parents decide that the child must complete his or her chores before the allowance is given, or sometimes the allowance is withheld as a punishment. This can lead to power struggles and fights about whether the chore was done on time, how well it was done, etc., or retorts like "I am not making my bed. I don't want the allowance anyway!" Most child psychologists recommend that an allowance be given unconditionally. This recognizes that an allowance is given as a learning tool and a healthy incentive for practicing good money management. Children must still do

their chores, but they do them to fulfill their responsibility to the family, not to earn their allowance. Many parents offer to pay an extra amount to their children when they do a specific extra chore.

If the family budget can accommodate this approach, it is a good way of teaching pre-teens and young teenagers the value of money. The other advantage of this technique is that their regular allowance can be kept relatively low, but they can still be given the opportunity to extend their earning power so that they can save toward major purchases.

## Examine Your Money Attitude

1. Is your approach to financial matters calm and rational?
2. Do you argue about money? Neglect savings? Live from paycheck to paycheck?
3. Do you feel guilty about money? Anxious? Afraid?
4. Do you need money to feel "good enough"?
5. Is money a way to express love, anger, guilt, power?
6. Do you overspend? Do you often buy on impulse?
7. Is shopping a pastime or a cure for depression?
8. Is money the goal, or a tool to meet goals?
9. Do you pay your bills on time?
10. Do you believe in sharing with the less fortunate?

### What money management style are you modeling for your children?

#### The Tightwad.

- Is afraid of running out of money before dying.
- Saves money with no goal or purpose.
- Deprives self of higher standard of living.
- Grumbles about the high cost of living.

#### The Spendthrift.

- Has haphazard spending habits.
- Feels "tomorrow may not come – spend it today."
- Has no goals.
- Does not save for emergencies, major purchases, and the future.
- Has lots of credit – and lots of debt.

#### The Conservative Planner.

- Has goals and a financial plan for the future.
- Follows a flexible budget plan.
- Lives within income.
- Has minimum debt.

#### The Liberal Planner.

- Has goals and a general plan.
- Understands and plays the leveraging game.
- Has moderate to heavy debts.
- Has some savings.

#### The Gambler.

- Has grandiose dreams and chases "get rich quick" schemes.
- Has no savings.
- Has no real plan.
- Takes chances and is always "waiting for the ship to come in."
- Has heavy debts.
- Wins big (sometimes) and loses big (more often).

# What To Teach Your Kids About Money

## Age 3.

- Explain what money is and what it looks like. Play “let’s pretend” games to learn to buy and sell things.
- Explain the importance of keeping money in a safe place.

## Age 4.

- Put pennies, nickels, dimes, quarters, loonies, toonies and bills in order of their value.

Identify coins by their correct names.

- Use money to buy things by trading coins for a purchase while shopping.
- “When we spend money, it is gone.”

## Age 5.

- Know how many cents each coin is worth.
- Count cents out with a few coins at a time.
- Match small amounts of money with things that are affordable.
- “We can’t buy everything, so we make choices.”
- Explain where money comes from (usually work).

## Age 6.

- Make a list of possible choices for ways to spend available money.

Start managing a small allowance.

- Learn not to waste things.
- Understand simple coin equivalents.
- “Banks keep our money until we need it.”

## Age 7.

Look for things on sale.

- Count larger amounts of mixed coins.
- Know basic coin equivalents.
- Divide allowance between spending and saving.
- Read price tags.

## Age 8.

- Make simple change.
- Match appropriate amounts of money with things to buy.
- Identify times he or she “blows” money on things that don’t last.
- Recognize TV commercials aren’t real life.
- Save toward a short-term goal (no longer than one month).
- Realize he or she can earn money by doing extra jobs.

## Age 9.

- Estimate the total cost of several purchases.
- Make a simple spending plan for the week and keep a money diary. See chart ‘A’ on page 10.
- Allocate money for expenses into separate envelopes.

Cooperate with family efforts to save money on water, gas, food, etc.

- Open a savings account and start to deposit money regularly.
- Look for ways to earn extra money for special purchases.
- Compare prices when shopping.

# What To Teach Your Kids About Money

## Age 10.

- Be accurate at making change.
- Set goals for making several major purchases in the next six months.
- Save a small amount each week for a large purchase.

Understand what cheques and debit cards are used for.

- Read and understand sale ads in the newspapers.
- Look for facts in TV advertising.

## Age 11.

- Calculate the cost of an item including sales taxes (PST & GST).
- Make sure he or she receives the correct change for a purchase.

Borrow money for an important purchase and then repay it.

- Look at the value, not just the cost, of products.
- Be aware of how peer pressure affects decisions.
- Save money for longer periods in a savings account.

## Age 12.

- Devise and operate on a two-week spending plan. See chart ‘B’ on page 10.

Recognize advertising techniques.

- Classify fixed expenses versus flexible expenses.
- Adjust flexible expenses to stay within a spending plan.
- Read classified ads to shop for bargains on used items.
- Read fabric-care labels and examine clothing for quality.

## Age 13.

- Understand the principle of compound interest.
- Understand the value of wise investing.
- Learn the meaning of “let the buyer beware.”
- Use the phone book and call stores for information.
- Be comfortable asking questions when considering a purchase.

## Age 14.

- Prepare a Personal Budget. See page 11.

Operate a small business enterprise for one month.

- Learn the cost of maintaining a home – rent, food, telephone, hydro, laundry, water TV, snacks, shampoo/soap/toothpaste/personal items, car, car insurance, gas, etc. – and help the family to save money.
- Understand and use the correct terms for banking transactions.

# My Spending Plan

Chart A

	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Total
Savings								
Snacks								
Entertainment								
School Supplies								
Gifts & Contributions								
Transportation								
Loans								
Other								
Miscellaneous								
Totals								

Chart B

	Week 1		Week 2	
	Planned	Spent	Planned	Spent
Fixed Expenses				
Flexible Expenses				
Totals				

# Personal Budget

Name: \_\_\_\_\_

Time Period: \_\_\_\_\_

Income (after expenses)  
 \_\_\_\_\_

Allowance \$ \_\_\_\_\_

Other \_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ \$ \_\_\_\_\_

Total \$ \_\_\_\_\_

Savings and Spending  
 \_\_\_\_\_

Savings \$ \_\_\_\_\_

Food \$ \_\_\_\_\_

Clothing/Shoes \$ \_\_\_\_\_

Entertainment \$ \_\_\_\_\_

School Supplies \$ \_\_\_\_\_

Gifts and Contributions \_\_\_\_\_

\$ Transportation \$ \_\_\_\_\_

Loans \$ \_\_\_\_\_

Other \$ \_\_\_\_\_

Miscellaneous \$ \_\_\_\_\_

Total \$ \_\_\_\_\_

Savings and Spending equal Income. Money not spent is money saved!



# Budgeting Tips for Parents & Kids

## Food.

- Make a grocery list – and use it!
- Limit food shopping to once a week – the fewer trips to the grocery store the better.
- Plan menus in advance for your shopping trips.
- Take advantage of seasonal specials, especially fresh produce.

Make batches of cookies or squares for inexpensive desserts and snacks.

- Consider no-name brands.
- Use coupons for items you buy regularly.
- If storage permits, buy in quantity if cheaper
- Avoid buying snacks or “empty calorie” foods. Serve fruit, dry cereal, crackers & cheese or peanut butter, or other filling and nutritious snacks instead.
- Make – and stick to – firm rules for getting your children past the snacks section in stores.
- Buy powdered drinks and mix your own instead of serving pop or special drinks to kids.
- Cook only as much as will be eaten unless it can be a part of another meal. Don't try to push big portions on reluctant kids.
- Do more cooking from scratch.
- Stretch hamburger with bread crumbs, oatmeal or tomato sauce.
- Chocolate milk or hot chocolate can be a low-cost, nutritious snack.
- Use equally nutritious reconstituted dry or evaporated milk for cooking instead of more expensive whole milk.
- Use leftovers (planovers) in soups and casseroles.
- Pack a lunch – “brown bag” as often as possible.
- Cut down on meals away from home.
- When you do eat out, drink water or milk instead of pop. Have a special dessert at home later

- Use glasses or plastic cups instead of paper cups.
- Give each family member their own cup to use between meals to reduce dish washing.
- Grow a garden.
- Preserve food or store food in the freezer when feasible.

## Clothing.

- Mend clothes promptly.
- Buy clothing that is washable.
- Buy clothing that does not need ironing.
- Pass used clothing, sports equipment, books and toys you no longer need to friends with younger children, or have a garage sale.

Have children change into old clothes for rough play.

- Sew as much as practical, repair and remodel.
- Hang clothes on a clothesline to dry instead of using a dryer.
- Use detergent that works well in cool and warm water.
- Organize laundry so that a minimum number of loads are run.

## Housing.

- Make your own cleaning supplies from safe household materials like baking soda, dish soap, and vinegar.

Leave lights, TV, radio, computer, video games, etc., on only when using.

- Lower the temperature at night.
- Learn to do simple repairs.
- Do your own painting and decorating.
- Hang bulletin boards in kids' rooms and allow them to put up their own decorations,, artwork,

# Budgeting Tips for Parents & Kids

and special mementos to decorate and personalize their rooms.

- Improvise furniture and shop at garage sales.

Teach children not to dial long distance, 411, 900, 976 numbers, and other chargeable services.

## Telephone.

- Write letters instead of using long distance.
- Stand up when you talk on long distance or use a timer.
- Cancel all unnecessary services on your telephone.

## Recreation & Entertainment.

- Use the public library often for books, magazines, tapes, and videos.
- Go to Children's Hours at the library, and other nearby free or low-cost family entertainment.

Do family things together that are inexpensive.

- Form a weekly preschooler playgroup with your neighbours.
- Use rechargeable batteries.
- Use office, junk mail, or other scrap paper for drawing & crafts projects.
- Trade toys, computer game CDs and video game cartridges with friends.
- Make costumes for your children for Halloween and school plays.
- Take vacations at home.
- Have potluck get-togethers with other families at home.
- Use public parks and picnic areas.

## Birthday Parties.

- Organize a theme party with crafts and games that can be done at home.
- Limit the number of guests to the age of the child (e.g., a 5-year old has 5 friends come).
- Make your child's birthday cake using favorite flavours and colours, decorate with favorite candies.
- Recycle plastic bags from newspaper deliveries to use as loot bags.

## Lessons & Activities.

Rent or borrow equipment or instruments for any new activity until you're sure your child is interested.

- Limit the number of lessons and sports teams your child participates in. Remember that children need lots of free time to play and develop their imagination. Too much organized activity can rob them of their childhood. One or two events per week on average is plenty.
- Realize that children do not have to do everything at once. Let them choose different activities and interests as they get older
- Investigate municipal or charitable organization activities for sports, camps, and lessons. These are often much less expensive.

## Gifts & Donations.

- Get your children to write a prioritized list of things they might want to receive as gifts for birthdays, Christmas, or other special occasions. If they are old enough to understand the cost of items, ensure that they include a reasonable choice of affordable selections.

Give your time instead of money.

# Budgeting Tips for Parents & Kids

- Make (and have your children make) gifts, cards, and wrappings for gifts instead of buying them.
- Recycle ribbons, bows, and reusable bags.

## Child Care.

- Share child care responsibilities with a friend, neighbour or spouse.
- Investigate low-cost government or church-operated nursery schools.

## Transportation.

- Car pool for children's lessons, games, and parties.
- Drive small cars that cost less to operate.

Train children to walk or bike to nearby locations rather than being driven.

- Get rid of one car.
- Teach older children to use public transport, and use it yourself.

## Personal.

- Avoid putting a bandage on every scratch or scrape your child gets. Apply more love and attention instead.
- Cut children's hair yourself.
- Do your own shampoos, sets and blow dries.

Set reasonable amounts for children's allowances.

- Select cosmetics that are reasonably priced.
- Carry only pocket change needed for bus fare and small items, and teach your older children this too.
- Suggest that older children stay away from convenience stores to resist the constant temptation to fritter away spending money.

## Miscellaneous.

- Have legal aid evaluate child support payments.
- Reduce pet care expenses by doing your own grooming.

## Savings.

- Keep your loose change for savings and allowances.
- Make saving a family affair
- Determine your savings goals.
- Consider all costs to determine if the family really profits from two incomes.

Save on a regular basis.  
Pay yourself first.

# Are You Facing Credit Difficulties?

If for any reason you cannot meet your payment obligations to any of your creditors, contact the creditor immediately and discuss your problems candidly. Creditors are flexible when changes in your life make repayment of your obligations difficult, but you must make them aware of your situation. Do not try to avoid your creditors. It will just make the situation worse.

If you find that your ability to deal with your creditors directly has become impossible, or you cannot see a way out of your financial situation on your own, contact your nearest credit counselling service.

Credit Canada Debt Solutions offers no-cost/low-cost confidential credit counselling. It serves anyone who needs advice about how to handle money and reduce or eliminate debt. Credit Canada Debt Solutions also arranges debt retirement programs to help individuals deal with their creditors and get out of debt. Credit Canada Debt Solutions has offices and affiliated agencies to serve you throughout Canada.

If you think that you may have a debt problem, take a moment to answer these questions:

1. Do your monthly bills often exceed your monthly income? Yes\_\_\_ No\_\_\_
2. Do you have to borrow money to make minimum monthly payments? Yes\_\_\_ No\_\_\_
3. Are you unable to make minimum monthly payments? Yes\_\_\_ No\_\_\_
4. Would you like free advice on how to successfully manage your personal finances? Yes\_\_\_ No\_\_\_

If you have answered yes to any of these questions, you will probably benefit from professional debt counselling from Credit Canada Debt Solutions.

**For more information, contact us.**  
**Telephone 416 228 DEBT (3328)**  
**1 800 267 2272 from outside Toronto**  
**Email [info@creditcanada.com](mailto:info@creditcanada.com)**  
**or visit [www.CreditCanada.com](http://www.CreditCanada.com)**

## Notes



Feel free to contact Credit Canada Debt Solutions.

As a non-profit charitable organization we provide affordable, practical assistance and confidential guidance to people in need. We are registered and Provincially licensed.

For a free online assessment go to:  
[www.CreditCanada.com](http://www.CreditCanada.com)

416 228 DEBT (3328)  
Outside Toronto: 1 800 267 2272  
8:00 am to 8:00 pm, Monday to Friday  
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