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FISCALLY FIT
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Send your comments about "Fiscally Fit" to Terri at fiscallyfit@wsj.com

Pennies Hold Valuable Lessons In Teaching Kids About Money

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It's amazing what a parent can learn from a simple school project. What started out as a lesson in counting for our five-year-old turned into a seminar on managing money for my husband and me.

To celebrate the 100th day of school, each child in my son's kindergarten class was instructed to bring in a bag filled with 100 items, which the class would diligently count together.

We chose 100 pennies, and I worked with my son to create a chart explaining how 100 pennies equaled one dollar bill, two half-dollar coins, four quarters and so on. As we worked on the chart, I was surprised at his inability to name any coins other than the quarter, and he didn't have a clue as to their value.

With kids becoming consumers earlier and earlier these days, how could my son have made it this far without being aware of hard currency? The declining visibility of cash in American society is making it even more difficult to teach children about such an abstract concept as managing money.

Today, even the smallest transactions take place electronically. You can charge a burger and fries at Wendy's, after the fast-food chain last year began accepting credit cards as payment in more than 3,000 locations. Need to fill up the tank? Wave a Speedpass "wand" at the pump at Exxon or Mobil and the payment is automatically taken from your debit or credit-card account. And electronic bill payment has almost eliminated the need to write checks for people who bank online.

"There's an increasing abstraction in teaching children about handling money because kids don't see parents go to the bank and put money into a savings account," says Nan Mead, director of public affairs at the National Endowment for Financial Education in Greenwood Village, Colo.

And that's troubling, because children learn how to manage money by observing their parents. A 2004 survey by the Jump\$tart Coalition for Personal Financial Literacy in Washington D.C., found that 58.3% of high-school students surveyed said they learned their money-management skills at home, compared with just 19.5% who said they learn such skills at school.

This week, I tapped the minds of some experts in the field of financial literacy on ways parents can help introduce the concept of hard currency to very young children. Teaching the value of saving, spending and charitable giving early on can make a difference as they enter the so-called "tween years" when consumer tendencies start to kick into high gear. Write to me with tips and suggestions of your own at fiscallyfit@wsj.com¹.

Never Too Early

Start 'Em Young. Children as young as two or three years of age respond to visual stimulus, scientific studies suggest. So it's never too young to introduce photos of money concepts, says Esther Maddux, a certified financial planner professor at Kansas State University in Manhattan, Kan.

"Although they aren't yet capable of understanding the meaning of the books, by reading to them and showing them photos of money, you're introducing the concept of money and they become familiar with the names," she says. Choose books that not only show pictures of money, but tell a tale that children can relate to and enjoy, says Ms. Maddux.

Two of my personal favorites for school-age kids are "Why Money Was Invented," by Neale S. Godfrey, which explains the nuts and bolts of money, from bartering to the use today of coins and paper money, and "Alex and the Amazing Lemonade Stand" by Liz and Jay Scott, the parents of seven-year-old cancer-stricken Alex Scott. It's a heart-warming story of a little girl named Alex who sells lemonade to raise money for cancer research. (In real life, Alex's lemonade stand has raised more than \$110,000.) The two books tell of managing money in a lively way that has kept my five-year-old interested again and again. I highly recommend them.

Piggy Gets a Makeover. The days of the old single-slotted repository of loose change are over. Piggy banks have evolved into more complex learning tools for young children. They provide a way to help kids visually separate the concepts of saving, spending, and charitable.

Money Savvy Generation, in Lake Bluff, Ill., for example, has created a piggy bank with multiple sections, one each for saving, long-term and short-term spending and donations. It retails for about \$15.



Money Savvy Pig

To encourage the child to handle money and begin to make choices on how they use it, parents should begin giving children an allowance as soon as kids begin to ask you to buy them things, says Ms. Mead of the National Endowment for Financial Education.

"Most parents encourage their child to put one-third into savings, one-third toward charity and the final third toward spending on items that you've talked about together and agreed on," she says. "By letting them choose how they spend, and talking about ways to donate to charity, it makes the savings and giving more meaningful to the child."

The general rule of thumb is \$1 a year for every year of a child's life, she says. (So in my son's case, \$5 a week.) Before you begin offering allowance, explain how the various sections of the bank work and that saving and charity are mandatory, and then allow the child to make his or her own decisions about what to do with the money allocated to spending.

Make Giving Hands-On. The concept of charity may be too abstract for young children, but you can help them to understand by doing something tangible. Take a trip to your local food bank or homeless shelter, to drop off a donation, or visit an animal shelter. Allow your child to choose the charitable organization and the gift will be that much more meaningful.

Another way to encourage charitable giving in your child is through visual cues, says Mary Ryan Karges, spokeswoman for Moonjar LLC in Seattle, which produces saving- and spending-lesson plans for parents and educators. She encouraged her own children to cut out photos of the charities of their choice and paste them to their banks.

"My five-year-old decided he wanted to give to a homeless shelter, so he cut out photos from a flier we received in the mail from a local shelter here in Seattle," she says, "Every time he puts money into his savings, he can see the end benefit."

Don't Do as I Do. Parents can sometimes be the worst role models when it comes to teaching kids how to value money. Case in point: My son recently picked up a few coins that were laying on kitchen countertop and nonchalantly

tossed them in the garbage. When I asked him why he did that, he innocently tattled, "Daddy always does it."

And, unfortunately, it's true. Like many people, my husband is annoyed by a pocketful of jangling change, so he'd often toss out pennies or drop them in "take a penny" cups at the checkout counters of some retailers. Watching the way his father casually disposed of coins, my son assumed they were worthless.

How to undo the damage? Ms. Maddux of Kansas State University suggested we allow him to discover on his own how lost coins do have value, once you add them all up.

"Encourage your child to make a game of it, look around the house and the car, on the street, you'd be amazed how much money is lying around out there," she says. "Add the coins together each week and exchange them for larger denominations so they can see the value." (If you're a germ-a-phobe like me, plan on carrying around antiseptic wipes if you decide to allow the "hunt" to continue in areas outside the home.)

I immediately incorporated this suggestion into our household over the weekend to see how it would go over, and sure enough my son has become enthralled with finding "lost treasure." From his class project he learned that 100 pennies equals \$1, and now he boasts that he's already halfway there. Teaching my husband to value loose change has been a bit trickier: He still tosses coins, but now he does it in the car or around the house, so that there's plenty of treasure for my son to hunt.

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A penny for your thoughts? How did you teach your young children to value money? **Share your ideas with me** at fiscallyfit@wsj.com².