

Are Your Kids Financially Literate? 4 Ways To Teach The Value Of A Dollar



Mark Avallone, CONTRIBUTOR

I help people on their path to Financial Freedom. [FULL BIO](#) ✓

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In honor of it being National Financial Literacy Month, I've chosen to take a turn from my usual, adult-advice articles and focus on our children. Financial literacy can be learned at any age, but the earlier we start teaching our kids, the better prepared they will be for their adult lives.

A recent Gallup Poll found that “financial literacy is crucial for students to successfully navigate their futures.” Gallup measured the level of “financial literacy” in students grades five through 12 by assessing “if they have a paying job, if they are learning how to save and spend money, if they have a bank account with money in it, and if they are involved in at least one activity, such as a club, music, sports

or volunteering.” While these are concrete metrics for financial literacy and responsibility, the Poll fails to explain how these students were able to meet these standards. What lessons did their parents instill to help them get a job at a young age? How were they taught to save and spend money wisely? Who helped them open a bank account?

As a financial advisor and a father of a young daughter, I am frequently asked by other parents for advice on how to teach children the value of a dollar. To help you prepare your kids for a financially sound future, here are my top four tips for teaching children personal finance skills.

1. Explain why you go to work. Explain that you go to work to make money that pays for the house, the car(s), food and fun. When you take your child to the doctor, or when you pass a construction site, explain that these people are working and doing their job just like you do when you leave the house in the morning. I started these conversations with my daughter when she was as young as 4. Later, when she would want me to be home more, I was able to easily explain that I needed to work in order to pay the bills. She is 8 now and understands the tradeoffs of the time needed to earn money and time for having fun – which is a very high priority of ours!

2. Include them in the spending decisions at a young age. Show them that there is a charge to attend their activities and gain their commitment that they attend every class and to try to enjoy it. Or, for example, when shopping for toys ask them to tell you not only which toys they like best but also what the prices are. And then ask them if the most expensive toy is worth, for example, three extra ice cream cones. You might be surprised at how they may arrive at an economic decision and how they sharpen their thought process.

3. Make the grocery store your classroom. Let them see the prices for competing items and allow them to select an alternative. Teach them about store brand pricing versus the brand name they see advertised on TV. And talk with them about what “on sale” means, and show them that one-week apples may be a bargain compared to

strawberries but the next week strawberries may be the bargain. Afterward, on the way home, make it fun and take them for a treat with the money you saved by being a smart shopper!

4. Give them a small allowance for household tasks. Young children can complete routine tasks like sorting the clean silverware or opening mail and putting their toys away. It helps them feel like a part of the team, and paying for their work creates a reward and incentive system. Ask them how they want to spend their money or if they want to add to what is already in their piggy bank - or perhaps they want to help someone less fortunate with a donation. Watch them smile as they take pride and enjoy whatever decision they make!

Of course, fun is the name of the game, and if you can make it a game, then it's as Julie Andrews sang in Mary Poppins: "In every job that must be done, there is an element of fun. You find the fun, and snap! The job's a game, and every task you undertake becomes a piece of cake."

Contributor's Bio

Mark Avallone is the author of Countdown To Financial Freedom, and founder and President of Potomac Wealth Advisors, LLC a financial advisory firm serving clients through holistic financial planning and wealth management. Avallone writes on a variety of financial topics, and his contributions have appeared in the Wall Street Journal as well as in Forbes where he is a regular contributor. He has appeared on CNBC and has been a repeat guest on the Fox Business Network. His insights have also appeared in USA Today, U.S. News & World Report, The Washington Post, and other leading publications.