7 really bad money habits you may be (accidentally) teaching your kids

Nobody's perfect.

And if you are a parent, you've probably seen some of your imperfections in broad relief as your child imitates them. Where did he learn that tone of voice? Did she really just tell the pediatrician her favorite food is french fries?

Kids and teens are watching everything we do, and they pick up on how we manage money. And much as we want them to develop good financial habits, telling them about budgeting and compound interest is unlikely to make up for showing them that we buy on impulse and (hopefully) still manage to keep a roof over our heads. Because we presumably want to do a good job teaching our children healthy attitudes about money, what should we be doing?

Sam X Renick, entrepreneur and financial educator, has some ideas — and he reached out to other financial experts for input as well.

Renick said the overriding goal is to teach kids to be thoughtful about what they do with money. We want them to understand money is one of the tools you use to make dreams come true. What can you do with money? You can save it, invest it, spend it or give it away. And managing money well has the potential to make your life happier and less stressful.

It's easier said than done, of course, but some parents make it even harder by accidentally modeling the very behaviors we hope our kids will avoid. Here are some of the bad money habits we may be inadvertently passing onto our kids.

1. Shopping without a list.

This is an invitation to waste money — and groceries, and a lot of us don't need an invitation. It also makes us especially vulnerable to impulse buying. After all, what's one more item that's not on the list? For children, especially, it blurs the line between planned purchases and impulse buys. (And lists in general help people stay organized. Teaching children to use lists can help in many areas of life.)

2. Buying on impulse.

We don't do well at teaching delayed gratification. Advertisers make it even harder. Ever seen an Internet "flash sale" that lasts only a few hours? Or notice the price changes on an item you HAVE been watching. It's frustrating to see that deliberating a bit might mean paying more. Of course, long term, these "flash sales" will tempt you to buy things you probably don't need and likely didn't plan for because you couldn't stand to miss the killer deal. The Internet and TV work hard to tempt us to buy on impulse. Show your child how advertisers try to manipulate us to make decisions that might not be in our best interests long-term. "Sleep on it" is a great habit to encourage.

3. Teaching entitlement.

Why are we going out to dinner and letting you order anything you want? Because you are a great kid! You… told the truth, got a good grade or got a soccer-participation certificate. Or you didn't, and now you're disappointed. Either way, a treat is in order. (Treats are not wrong, by the way. You can explain to your child that treats are in your budget. But the people who are most experienced handling the money and who have the most knowledge of the family's finances will make the major decisions. Translated, this means the adults pick the restaurant and tell the children which entrees they may choose from or what the price limit is.)

4. Focusing exclusively on the now.

Even if you are putting away money for vacations, if that is invisible to kids, they are not learning about it. "Let's eat at home and save the difference in what it would cost for vacation," can help make your intentions clear. You can even save the money in a jar so they can see it. It's easier to say "we can't afford it," because YOU know that you can't afford both lots of dinners out and a trip to Disney, but your kid may understand only that you can't afford to go through the drive-thru, rather than that you are consciously choosing to direct your money toward something else — that you are delaying gratification.

5. Speaking in terms of dollars, not percentages.

Renick says it's important for kids to learn that not only is a nickel worth more than four pennies, it's worth 25% more. It's easy not to care about a penny, but 25% seems worth worrying about. And it is. Would they prefer to earn $20 for a chore or just $16? It's still 25%, and it's worth saving. "The concept is if you get in the habit of taking care of small details (financial choices) the habit and behavior will carry through to larger financial choices," Renick said. Go ahead and save where you can — and show your kids that little things add up. (And hopefully, when they are in the workforce, that 401(k) match offered by your kid's employer will seem too big to pass up.)

6. Giving them "spending money."

The idea behind this can be smart — hoping they will learn to prioritize. That's a good goal, certainly. But Renick would suggest giving them money to manage… and rewarding saving if they show some restraint. He gives as an example a child with $100 to spend (or save) at Disneyland. What if you told a child that he or she could KEEP any money not spent at the park? Do you think he or she would care more about getting the most value for the money and would check carefully to see what concessions cost before ordering?

Routinely *giving* them the money may be a problem as well. Kids can earn money. Renick said his father used to tell him that he could have anything he wanted — as long as he was willing to work for it. Having to work can also help teach the value of money, when you begin to think about whether thing you need or want is really worth the time you'll spend earning the money to buy it.

7. Indulging in spendy habits, like a daily Starbucks or cigarettes.

Despite what we say, we show them that the gratification today is more valuable to us than the sacrifice involved in putting some of that money in a 401(k) or saving it for a family vacation.

What Should We Be Teaching Them?

Talking to kids about money can feel awkward and difficult, especially if our own parents didn't tell us much (or overshared, resulting in kids worrying about money).

Tim Hamilton, founder and managing director of FinancialFamilies.com, a fee-only service on Ohio, said it can also be difficult if the parents are not on the same page. "I work with the occasional couple where one spouse was provided for endlessly as a child and the other spouse occasionally, or regularly, went without. . . . At the very least, the couple needs to effectively communicate their perspectives on an ongoing basis," he said in an email.

On one hand, you don't want children to become so worried about money that they cannot spend. Another financial educator told Renick that her sibling, who has a high income now, still shops at thrift stores and often wears ill-fitting clothes as a result (not taking those clothes to a tailor, either), because spending is uncomfortable and upsetting. Nor do you want them to not give money a thought — seeing a credit card as a license to spend and failing to budget or save.

So what does a healthy attitude look like? Renick asked financial educator Leslie Girone, and here's how she defines financial success: "doing something you love, having supportive family and friends, and not worrying about money 24/7." Hopefully, we can model that, too, while we're trying to explain the magic of compound interest, the pitfalls of too much debt, or the importance of keeping up to speed on your credit.

http://finance.yahoo.com/news/7-really-bad-money-habits-131547921.html