



By Greg Farrar

Mina Groves (right) thanks a customer as she and Elizabeth Schoeneman, fifth-graders, sell items to student shoppers at Clark Elementary School's Market Day.

Teaching healthy money habits early

Allowance is best way to start

By Jon Savelle

Every Tuesday at Challenger Elementary School, children bring their pennies, nickels, dimes, quarters and dollars to banking day. They add them up, log the amount in a bank book, put the money in an envelope and hand it to a parent volunteer to take to Washington Mutual Bank.

"The minimum deposit is 25 cents," said Sandi Dong, parent in charge. "At our school, we have 66 children enrolled in our program, but they don't all deposit regularly. There are about 20 or 30 who are regular."

Every second deposit, a child gets a small prize. It could be a pencil, a notebook, a stapler or a calculator.

"They like to get the little prizes," Dong said. "And they like to bring in their money."

Her own second-grade daughter is a regular. She has participated since the program began in September 2007, Dong said, and is very excited about it.

Parents are enthusiastic, too, but sometimes they forget banking day. And few bring their children to the bank with them.

The school program fills a gap in an essential part of childhood learning: how to manage money by saving, banking and maybe buying something with the proceeds.

This idea is taken quite a bit farther in Junior Achievement of Washington's Enterprise Vil-

lage, a place where students on school field trips can actually work, conduct business, earn and spend money, and take home the proceeds. In operation since 2004, the village is at the Boeing Center for Free Enterprise, in Auburn, and is supported by a variety of corporate sponsors and public utilities.

Students on a one-day visit to the village may end up doing the job of a Best Buy clerk, for example, or of an Ikea manager. They get paid \$5 or \$6 for their efforts; students learn to go to the bank to deposit money, balance their checkbooks, pay their bills, get food to eat and save money.

Such skills are by no means universally taught in schools, nor by parents. But there is much that parents can do to instill good money habits in their children. Fortunately, the subject is easy and fun to teach. A

What's the best way to teach children about money?

When our son was ready to drive, we told him we would buy him a used car (up to \$2,000) but he would have to pay for gas, repairs, tickets and insurance. He got a job and paid his share.

— Jim Harris, Issaquah

Develop a child's imagination and ingenuity rather than spend fortunes on toys; they learn to create fun out of ordinary things. When older kids want luxury items, let them find a way to earn it. It doesn't hurt them a bit.

— Barbara Extract, Issaquah

The best way to teach children anything is to model that behavior. Like other life issues, the conversations need to start early, and be consistent and ongoing throughout the years. I'm a big fan of "Moonjar," developed locally using the same principles the Rockefeller children learned.

www.moonjar.com/about.aspx
— Michelle Kolano, Issaquah

Teach them to work. In the words of The Rolling Stones, "You can't always get what you want." Needs versus wants is a key lesson. Parents supply needs — kids supply wants. Teach them to work.

— Matthew Balkman, Issaquah

The parents of my childhood friend gave their children a generous allowance. It was a regular allowance, plus money to buy their own underwear. If they misspent their money, they wore ratty underwear. No one else could see it, so the parents didn't suffer embarrassment, yet the children knew and weren't happy if they made poor choices. Even as a child, I thought this was a great idea!

— Jessica Sartell, Issaquah



By Greg Farrar

Prabha Dublish, a Clark Elementary fifth-grader and student coordinator for the Market Day event, holds a pop-bottle piggy bank as she checks on the success of other students' sales tables.

WaMu offers School Savings program

Washington Mutual Bank has operated its School Savings program since 1923, during which time hundreds of thousands of children have used it to establish their first savings accounts.

According to the bank's Web site, the program teaches:

- Responsibility – Remembering to bring their deposit every week
- Discipline – Putting money into savings instead of spending it
- Consistency – Making weekly deposits instead of sporadic ones
- Money management – Keeping their own deposit record and running balance
- Goal-setting – Deciding what they're saving for

The program is run by parent volunteers on a designated weekly bank day. On enrollment day, each student receives an introduction kit with the School Savings program brochure and a master account agreement form.

Washington Mutual provides each child an opening deposit of 25 cents. Deposits are managed by accessing a secure Web site. Students may make withdrawals or additional deposits at local Washington Mutual branches, and their accounts earn interest.

Quarterly service charges are waived until students reach age 19.

It is also worth knowing that each student's deposits with Washington Mutual are FDIC insured to \$100,000. Washington Mutual became part of JPMorgan Chase Bank on Sept. 25.

Detailed information is available on the Web at <http://school-savings.wamu.com>.

wealth of information is available to parents who want to invest in their children's futures.

One of the simplest and best tools is to give a child an allowance. The amount need not be large, but it should be provided on a regular schedule and with no strings attached, say advocates for financial literacy.

One of the latter is Amy Nathan, author of "The Kids' Allowance Book," who said there are many ways to structure an allowance. But it is important to keep trying when that good idea runs afoul of other circumstances.

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“The key to allowance success seems to depend on a willingness to talk over allowance problems as they pop up, and a flexibility in scouting out ways to solve those problems so the allowance can stay on track,” Nathan wrote on the www.kidsmoney.org Web site.

When the allowance is running smoothly, it pays dividends by developing a sense of financial responsibility in a child. It is best to start early, right when a child begins asking a parent to buy things.

In setting the amount, a commonly used rule of thumb is to give a child a dollar a week for each year of age, but very young children get along quite well on less.

The next question is, what should a child do with the money? Writer Caryl Horan advises sitting down with a child and explaining exactly what is expected. For example, some of the allowance can be used for sharing, such as for charity or birthday presents. Another part can be spent on anything the child wants to buy. And the last part, perhaps 10 percent to 20 percent, should be saved for the purchase of something that costs more than the weekly amount.

According to financial advisor David McCurrach, who launched www.kidsmoney.org, tying allowance to chores is a bad idea. It leads to transaction negotiations hinging on the value of chores and whether a child thinks they are worth doing for the allowance received.

In an article for *Your Money* magazine in October 1995, writers Elizabeth Lewin and Bernard Ryan outline three approaches.

One is hands-off, leaving it up to a child to handle his or her money and learn from mistakes. The second, as mentioned above, is to avoid linking allowance and chores. And the third is to provide a basic allowance, but also offer opportunities for children to earn extra money with extra tasks. These might include raking leaves, washing the car or washing windows.

One challenging question for parents is whether to allow

By Greg Farrar

Kelly Raab (middle) fills out her checkbook after a progress review with parent volunteer Ellen Dieken, while Dieken’s daughter, Grand Ridge fifth-grade volunteer Shayna, looks on.

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More money lessons

In middle school, we set a monthly amount for our daughter to cover her discretionary purchases — extra clothes, food, gifts, etc., and gave her a debit card loaded once a month. She had to learn how to stay within her budget. It worked!

— Fred Nystrom, Issaquah

The best way to teach children about money is to let them manage it themselves. Provide them an income and make them responsible for some expenses. And remember that learning to manage money is a lifelong lesson, so don't expect them to get it right.

— Mel Morgan, Issaquah

The best way to teach children money is to let them earn

their allowance and show them how to budget their earnings. Teach them how to differentiate between wants and needs, and then show them how they can prioritize their spending. Teach them to spend only within their means and to save at least a portion of their earnings. At age 13, you can start them with a student checking account, so they can learn how to write their own checks and balance a checkbook.

— Becky Wilder, Issaquah

I believe that children should get a reasonable weekly allowance, but they should have to earn it by doing regular and special chores. This will teach them that work has its rewards and the value of money.

— Maynard Pillie, Sammamish

Five age-appropriate lessons:

1. Piggy bank = counting
2. Savings account = balancing
3. Allowance = family value
4. Special chores = work ethic
5. Checking account = management

— Suzanne Suther, Bellevue

Children learn about money by example. As I am writing this, our adult son is transferring money electronically from his account for the purpose of helping a needy friend with a medical emergency for their family. My wife and I have tried to model that money is a mere tool by which we can bring blessing or bondage. It is an outward sign of the inward condition of our hearts. As a family we seek to involve our children in the stewardship of resource as a trust from God.

— Don and Narda Burnett, Issaquah

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children to borrow against future allowance payments. Lewin and Ryan note that some parents are opposed to the idea, because it encourages the buy-now-pay-later approach that ensnares many adults in debt. Others say borrowing is another way to teach about money, and there are lessons to be learned about IOUs, repayment of loans and interest.

As a child grows and matures, the allowance and responsibilities should increase. Lewin and Ryan advise making a spending plan and including things like clothing, sports equipment, vacation spending money and other purchases a child deems important.

Sometimes, a child grasps the concept immediately and follows a rigorous, self-imposed savings regimen. Susie Smith, parent volunteer for the banking program at Maple Hills Elementary School, said her daughter, Gabby, did just that.

"My daughter did it from kindergarten through fifth grade," she said. "She saved over \$700 and bought herself a laptop."

Another fifth-grade girl has saved more than \$1,000, Smith said.

As Dong observed, "It's still good to save and it's never too late to start."

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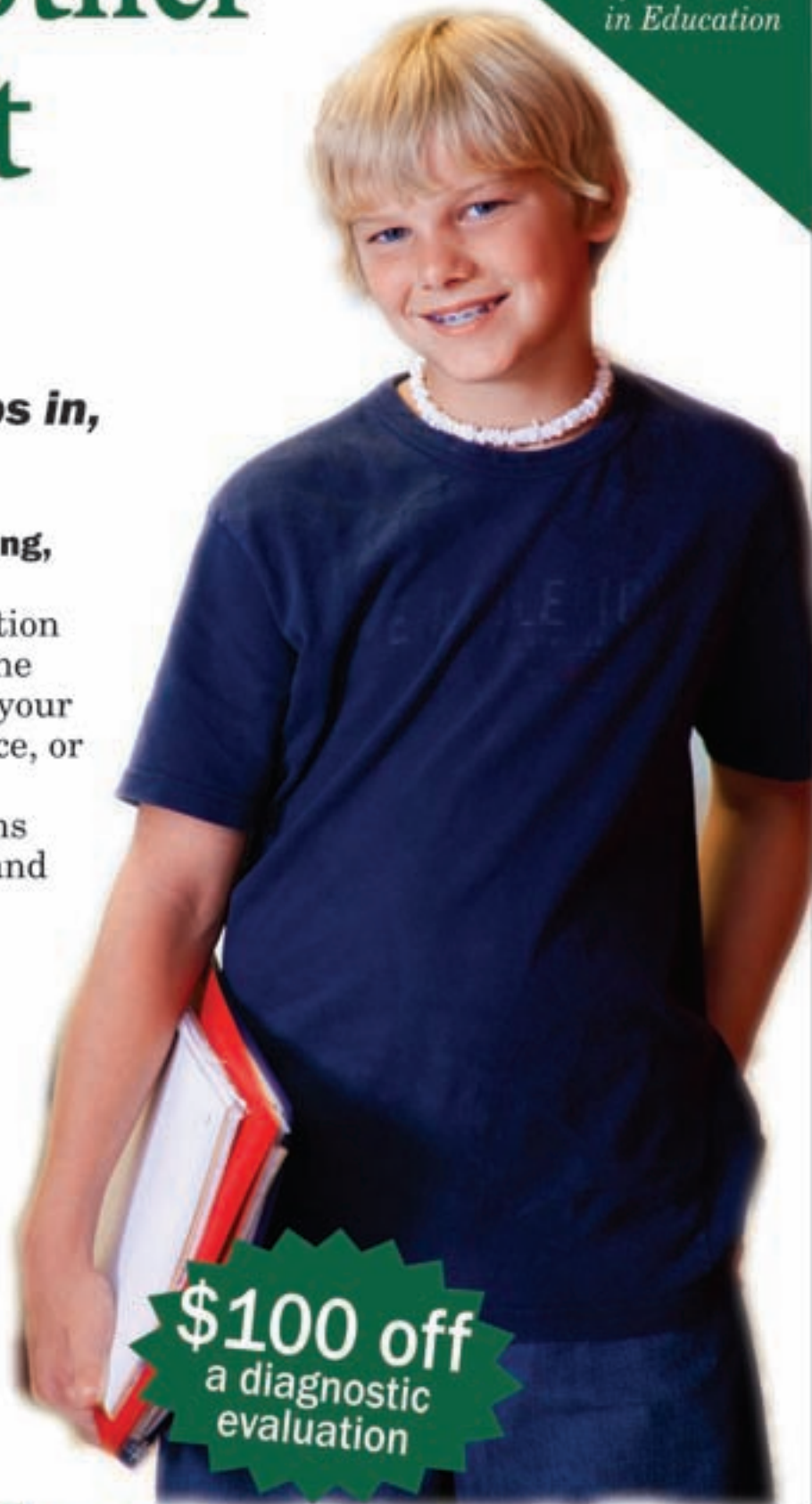
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