

## Teaching your kids healthy money habits

**With a few simple changes, you could set a good example for your children.**

Research shows that parents' actions affect their children's behaviour and the effects can last into adulthood.<sup>1</sup> This puts the onus on parents to ensure kids have the skills to make smart financial decisions – from learning about the importance of saving to the power of compounding interest.

But did you know that you could be sending negative messages about money to your children without meaning to? Here are some common ways you could be teaching them unhealthy money habits – and how you could send constructive messages instead.

### Revealing the magic behind digital money

Your children likely have seen you pay for hundreds of transactions without glimpsing cash changing hands. In this age of digital payments and credit and debit cards, teaching kids the value of money is not easy. For small children, it can appear that money problems are solved with magic – just wave or tap a plastic card.

This makes it doubly important to discuss money with your children. A good way to start may be to explain how your earnings get deposited into your bank account and how you use this account to pay your bills and other expenses. For older children, consider showing them how taxes are deducted from your salary and how a credit card works. You could even bring them with you to a meeting with your financial adviser.

### Spending wisely

While it's normal to spend on a whim every now and then, frequently buying things on an impulse could send the message that it's fine to spend without planning.

The key to avoiding impulse-buying is to stick to a budget. To set an effective budget, consider working with a professional financial adviser. Your adviser may help develop a budget that factors in your income, expenses and financial obligations to help you rein in discretionary spending.

Once you have a budget, it may be worth talking to your children about it – how it works, why you use it and how it helps your family's finances.

### Teaching independence

It's convenient to do everything for your children, from paying for their sports or music lessons to taking care of their phone bills. But by giving them a chance to have their own money and decide how and where to spend it, they could learn powerful lessons about budgeting. If they end up blowing all their money at once, that's fine. They'll likely learn a lesson or two.

For adult children, offering them financial help or bailing them out frequently can create a cycle of dependency. Letting them make money decisions on their own could help them develop financial responsibility.

### Including them in planning and budgeting

Many parents keep household financial planning and budgeting to themselves. They believe their children are not ready for that kind of conversation or responsibility.

While you don't have to fully involve your children in managing your family's finances, giving them a role to play can teach them valuable lessons about money. It can be as simple as getting them to do the grocery shopping using a set budget. If your children are old enough to earn some income, why not get them to pitch in to help achieve a family goal; for example, saving for a second car?

### Using your influence positively

Parents can strongly influence children in relation to money, so it's important that you pass on smart money management skills. If you don't know where to start, consider reaching out to your financial adviser to help you stay on top of your finances through proper planning and budgeting.

<sup>1</sup> Webley, P & Nyhus, E, 2006, 'Parents' influence on children's future orientation and saving', Journal of Economic Psychology, accessible at: <https://www.sciencedirect.com/science/article/abs/pii/S0167487005000577>.

This editorial and the information within, including tax, does not consider your personal circumstances and is general advice only. It has been prepared without taking into account any of your individual objectives, financial solutions or needs. Before acting on this information you should consider its appropriateness, having regard to your own objectives, financial situation and needs. You should read the relevant Product Disclosure Statements and seek personal advice from a qualified financial adviser. From time to time we may send you informative updates and details of the range of services we can provide. If you no longer want to receive this information please contact our office to opt out. The views expressed in this publication are solely those of the author; they are not reflective or indicative of Licensee's position, and are not to be attributed to the Licensee. They cannot be reproduced in any form without the express written consent of the author. RI Advice Group Pty Limited ABN 23 001 774 125, AFSL 238429.