

Special Foster Care & Therapeutic Respite Care

Tips, Tools & Resources

Financial Literacy

Financial literacy can most certainly be learned as an adult, but the lessons grow richest if sown in childhood. Parents can utilize their own obligations as teachable moments for their children, covering the financial landscape their “students” must eventually navigate.

Budgeting

It is never too early to teach the benefits of setting and living by a budget. Making this process transparent in your own household will help your children learn the value of setting and achieving goals.

Household Budget Outline your monthly expenses, using real or placeholder numbers, so that you can teach your children about fixed and fluctuating bills, due dates and late fees, interest rates, and needs vs. desires.

- \$ Ask your children to set up a budget, helping them to generate a comprehensive list of the expenses a household incurs, including clothing and medical needs.
- \$ Conduct periodic reviews of your household expenses with your children, using charts and graphs to mark your spending categories.
- \$ Have your children create menus for a week based on your food allowance. Then have them shop for the ingredients, studying prices, sales, coupons, and generic vs. name brands.
- \$ As your children age and begin to earn money of their own, have them set budgets for themselves, focusing on studying the expenses of their personal activities and interests.
- \$ Before your teenagers go off to live by themselves, have them create a budget for the expenses they will encounter and then check in with them on a regular basis to see how they are doing.

Special Expenses/Purchases Often long-term planning is needed for special purchases we would like to make, be they a new piece

of technology, summer camp or a new car. With these purchases often comes hidden expenses, such as additional software, special clothing, special fees/taxes, or gas and insurance. In addition, if you are a homeowner or have a vehicle, you know that periodically you will encounter unexpected repairs that can be costly.

- \$ Incorporate allocations for maintenance and upkeep as a part of any budget.
- \$ Evaluate the entire cost of a purchase, not merely what is on the price tag.

Bank Accounts

No matter how much financial technology has advanced, the need for a checking account has not yet fallen by the wayside. With checking accounts comes the need for skill in recording payments, monitoring the balance, and understanding fees and penalties associated with banking activities.

- \$ Have your teenagers open a bank account and begin practicing banking skills.
- \$ Choose a bank where you can monitor the account online and they can learn to bank online as well.

Savings

Teaching your children to be lifelong savers is a gift that will literally keep on giving. One benefit of the emergence of online banking—which usually offers higher interest rates—is the ease with which people can save. With many of them, you can open savings accounts with as little as \$1.00, with no fees associated with their accounts, although they must be tied to a checking account (so Mom or Dad would have to help young children). Savers can set up as many accounts as they like, assigning nicknames to



their pools of money. That way, they can divvy up their savings into categories such as “higher education,” “big purchases,” and “general savings” in a meaningful way.

- \$ As a rule of thumb, from allowances to first earnings, have your children put at least 1/2 of everything they earn into an interest bearing savings account, by either making a deposit with a teller at a bank or via the Internet.
- \$ Track the compound interest their savings accounts earn and investigate long-term saving options such as Certificates of Deposits (CDs) to help their money grow even more.
- \$ When your children live independently, encourage them to save at least 10% of their earnings and help them walk through retirement savings options. Growing nest eggs is far easier when started in your 20's, than in your 30's or 40's. Most banks will offer free counseling when it comes to making decisions about your money.

Credit/Debit Cards

With the aggressive marketing campaigns, teenagers are being courted and encouraged to open their own credit card accounts, without an equally aggressive educational campaign on the pitfalls of borrowing with “plastic.” Unaccustomed to the financial obligation of credit cards, many college students find themselves thousands of dollars in debt because it was too easy to just plunk down a credit card. Fortunately, some banks now offer “junior” credit cards, with adjustable spending limits and online monitoring.

- \$ Allow teenagers to practice sound use of credit cards, including making payments, before they are completely on their own.

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Name: _____

Date: _____

Parent Training Exercise

Why is teaching financial literacy to your children important?

Describe some practical ways you might do this in your household.

Other than banks, what other financial education opportunities are there in your community?

Return to your caseworker for evaluation. Accurate answers can result in a training credit of 1/2 hour.