

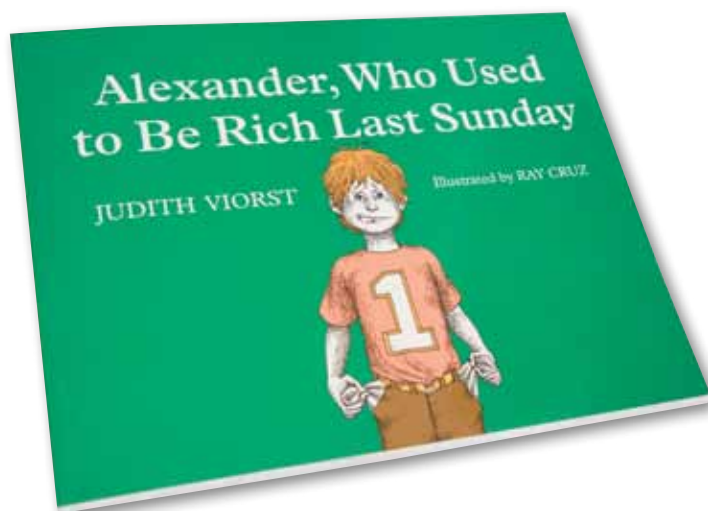


Financial responsibility begins in childhood

Michele Wulff is a former public school educator of 30 years and a 2007 recipient of the peer award "Excellence in Teaching Economics." As an economic education coordinator with the Kansas City Fed, she works to heighten financial literacy throughout the seven states of the Tenth District.

When a student once commented during my economics class that you could always visit the ATM to get as much money as you wanted, I knew it was time for a personal finance lesson. But how do you discuss account debits and credits in terms that a child can understand? How do you compete with consumerism to teach young people to make good financial decisions? What about explaining the current economic situation? These are some of the questions I have faced as a parent and an educator, and some of the topics I'd like to discuss as columnist for *TEN*. Our "Common Cents" topic for this quarter is the importance of saving money.

In my 30 years of teaching elementary students, I developed a few tricks of the trade for relaying complex information in a language that children can understand. Children probably aren't interested in day trading, so make financial lessons relevant to their everyday lives. Help the child visualize financial concepts in his or her own frame of reference. If there's something they can't live without, how can they earn money and save it to make the purchase? A child may not be able



to define "opportunity cost" or "compound interest," but sharing children's books may help them understand basic financial concepts. For children 8 years old and younger, I recommend reading "Alexander, Who Used to Be Rich Last Sunday," which will give them examples they can relate to.

To convince children to save rather than spend is a challenge in itself! I suggest discussing the concept of setting savings goals with children 6 and older. A short-term goal should be introduced first as



something that could be saved for in a year or less, such as a vacation or holiday gifts. When a child is ready, set up a long-term savings plan for a big-ticket item, such as a car or college.

Once goals are established, ask younger children to draw pictures to help them visualize what they are working toward. Older children can write down goals and when they hope to achieve them. Help children set a dollar amount for each goal, and then do the math together. If Susie wants to have \$60 for vacation spending in August, she'll need to start saving \$12 a month for the next five months.

Now comes the hardest part for kids—developing a strategy and getting in a routine. A young person's sources of income may include an allowance, money gifts and earned income. Children and teens need to decide what portion of this income will be saved to reach

their monthly goal. Think about helping them open a savings account. Watching the account grow is a great learning experience and helps deter impulsive spending. If the child is old enough to understand earning interest, now is the time to introduce him to this incentive, as well as how a bank functions.

In many school districts nationwide, bankers offer "Teach Children to Save Day" activities in April. Federal and commercial bank employees visit schools to talk about saving; read and discuss stories; and share activities relating to personal finance. Year-round, the Kansas City Fed offers personal finance role plays and literature lesson plans to encourage children to develop a "savings habit," which ultimately will lead them to becoming financially responsible adults.



Financial Education Resources

The Kansas City Fed is committed to promoting economic and financial literacy and greater knowledge of the Federal Reserve's role by providing resources for teachers, students and the public to better understand important economic concepts and issues.

Teacher Resources

We offer resources and programs for teachers and educators throughout the region to promote economic and financial education.

Student Resources

Looking for activities, games or other information about economics or the Federal Reserve? Find links to materials and other programs.

Other Resources

Find resources about the Federal Reserve, economics, personal finance and bank tours.

Academic Competitions

Consider participating in a Fed sponsored economic competition. The Federal Reserve Bank of Kansas City supports academic competitions for high school students on the subjects of monetary policy, economics and personal finance. Awards and recognition are available for teachers, students and their schools.

For teacher tips and materials,

including information on in-service training, and to order publications for all ages, visit KansasCityFed.org/TEN.