

RAISING MONEY SMART KIDS

A BIBLICAL PERSPECTIVE

In contrast to material possessions and certain skills, character and values cannot be given or purchased. As Tim Kimmel says, “You can’t leave character in a trust account. You cannot write your values into the will. You cannot bank traits like courage, honesty, and compassion in a safe-deposit box. What we need is a plan—a long-term strategy to convey our convictions and good money management skills to the next generation.” (Legacy of Love: A Plan for Parenting on Purpose, 292).

What do you desire to teach your children? Are your current spending decisions—from buying their clothes to funding their education—furthering your desires? As you provide for your children, consider giving them more than just money, possessions, and opportunities. Leave them with a legacy of character and wisdom that can be passed down from generation to generation.

**“Good character...is
not given to us. We
have to build it piece by
piece – by thought,
choice, courage, and
determination.”**

John Luther

*“Train up a child in the way he should go,
even when he is old he will not depart from it.”
Proverbs 22:6*

THE PROCESS FOR RAISING MONEY SMART KIDS

Children can begin to manage money at a very early age. We believe they can make independent money decisions at age four or five. By the time they have reached age eight or nine, we believe if they are properly trained, they can be responsible for planning for and buying all the clothes and gifts they need.

There are many ways to teach your children good money management and decision-making skills. You can rely on stories of how you used to earn, save, and spend money. You can also fill their minds with lessons on how important it is to be careful and wise with their money. However, the best way for them to learn is by experience – managing money and making decisions themselves.

Where and how we spend money is largely a function of where and how our parents spent money. The same can be said for our children. We do not have to say a thing to our children to pass on to them our priorities, commitments, and habits. After seeing behavior modeled, children will either emulate that behavior or react to it and behave in just the opposite way. If children are going to become financially responsible, then good money management must be consistently modeled and instilled in them over the long term.

THE PROCESS

First, we must examine ourselves to see what we actually do model. Second, a husband and wife must have unity regarding goals, priorities, and decisions; disagreements on one or several issues can send mixed signals to children and lead to disastrous consequences. Third, because training is a long-term process, we will need a plan in order to instill the principles we want in our children. A formal training plan, communicated to children, gives them the security of knowing where the boundaries are and what their expectations should be.

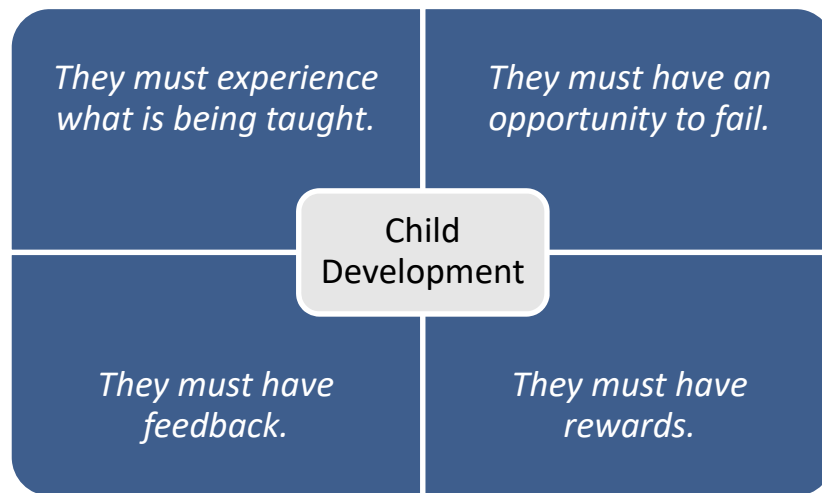
Start by Examining Yourself

Developing a training plan for your children starts with you. Below are some questions to help you determine if you want to pass on your personal money management principles to your children. Begin your training plan by putting your own house in order.

1. Do you have financial goals for the next year, five years, and beyond?
2. Do you have a spending plan for the next 12 months?
3. Do you know the amount of your debt? Do you have a plan to pay off your debt?
4. What would happen to your family financially if you lost your job or income?
5. Are you tithing?
6. Do you spend impulsively?
7. What does your life-style communicate regarding your value system?
8. Are you saving and investing for the future?
9. Do you and your spouse ever disagree about money matters?
10. If someone did not know you and had a copy of your checkbook for the last five years, what story would he write about your life?
 - a. Priorities?
 - b. Habits?
 - c. What you read?
 - d. Spiritual condition?
 - e. Debt?
 - f. Where you live?
 - g. Other information?

Stewardship cannot be faked. Your checkbook reveals your priorities.

HOW TO RAISE MONEY SMART KIDS



Experience

It is easy to tell your children that they should tithe, save, and spend wisely. But until they experience the joy of tithing, the rewards of having saved for a major purchase, and the thrill of seeing how much money they have saved by spending wisely, it won't mean anything to them. The training process, then, must give them an opportunity to experience what you are attempting to teach them. When they experience it, it will become theirs.

Failure

Failure is a part of life. The issue is not whether children will fail but how they will respond to failure. Failure should be treated as a positive learning experience. The best time for them to fail is while they are young and when parents are available to counsel them.

Feedback

Children need the opportunity to make choices within clearly established guidelines. As a parent, knowing where to draw the line comes from having determined in advance what you want to teach your children morally, socially, financially, and spiritually. When giving feedback, you have the opportunity to point out acceptable options to your children. When they perform well, give them positive feedback; encourage them. When they are praised for good decision making, they will learn that there are additional rewards in making the right choice.

Rewards

Rewards are biblical. They are motivational, and they provide another source of feedback. For these reasons, rewards are necessary in the training process. They can come in many forms: favorite foods, extracurricular activities, praise, money, etc.

To properly implement training, you must be committed to the process and have faith. You must make a commitment of time, effort, money, and self. The training process is long term; it requires hard work; it may cost some money; and it will certainly call for a dedication of self. Enter into this commitment prayerfully and seriously. Let your children see the principles lived out over a long period. Give them the chance to try, and to fail, before they know what it is that they know or don't know. Once a skill is learned, it is strengthened through repeated practice.

RAISING MONEY SMART KIDS – DEVELOPING PERSPECTIVE

Our beliefs and perspective toward money management affects our decision making and behavior. What we believe about money has the greatest potential for good and harm in our lives. Developing the right perspective and understanding in children toward money is a critical part in preparing them for their future.

Your children will have lots of questions about money. Whose money is it? What is the money for? How do you use the money? One of the best things you can do for your children is to educate them on what money is all about, what it is, and what it is not.

Money is all about stewardship. Stewardship is the use of God-given resources for the accomplishment of God-given goals. However, instead of stewardship, most people's perspective towards money is ownership. How you answer the question of "whose money is it" will ultimately determine how the money is used. Consider the following perspectives toward money.

OWNERSHIP	STEWARDSHIP
Has a tight hold on "my" money.	Understands that all money is from God.
Fears losing money or not having enough.	Has peace knowing that God will provide for all his needs.
Fears not knowing how best to use the money and the temptation to use it in a way that is not wise.	Has freedom knowing that God has a specific plan of how to use the resources He has entrusted to him/her.
Wrongly keeps a short-term perspective.	Understands that he/she will be held accountable for how it is used.

Money can also sound very promising and rewarding. It can make us think that we are successful, significant, and secure. Many assume that if they only had more money, they would have fewer problems. But the truth is money should not define your self-worth or success. Those matters should be rooted and determined by your relationship with God. While money can enable us to pay for certain items that we need, more money means more responsibility. Make sure your children understand the following truths regarding money's purpose.

MONEY IS NOT		MONEY IS	
A reward for godly living.	Proverbs 28:6, Job 1:1-22	A test of our loyalties, character, priorities, and stewardship.	Matthew 26:14-16, 1 Samuel 2:29
A measure of success.	Joshua 1:8, Luke 16:19-28, Mark 10:25	A tool to provide for our families, to help others, and to accomplish God-given objectives.	Genesis 42:2, 1 Chronicles 29:2, Luke 10:35
A measure of self-worth.	Ephesians 2:10	A testimony.	2 Corinthians 5:10
A guarantee of contentment.	Ecclesiastes 5:20	A defense.	Ecclesiastes 7:12

RAISING MONEY SMART KIDS – STEWARDSHIP PRINCIPLES

SIX FINANCIAL PRINCIPLES

1. Understand that God owns it all.
2. Set long-term written financial goals.
3. Spend less than you earn (control lifestyle—have a budget).
4. Avoid the dangers of debt (be getting out of debt).
5. Diversify your investments.
6. Be generous

TWO STEWARDSHIP PRINCIPLES

1. There is no such thing as an independent financial decision.
2. The longer-term the perspective, the better your decision today.

God Owns it All

To teach your children that God owns it all, begin by modeling that attitude. Let your attitude be, “I am responsible for handling God’s resources well, because they do not belong to me and He has all the rights.”

- Show your children that you control financial resources instead of being controlled by them.
- Include all members of the family in giving decisions.
- Faithfully demonstrate your tithing and generosity.
- Model an attitude of stewardship in all that you possess and train your children to tithe.

Set Long-Term Written Financial Goals

Everyday we make plans—some long-term and some short-term. Those plans can be formal or informal. The more formal plans tend to be more long-term and more significant, and they require you to give a great deal of forethought to them. The training of children in managing money is a long-term task that can be most effective when goals are written down and agreed to in advance. Children must take ownership of the goal(s) rather than having the parent dictate their own goal(s) to the child. This can eliminate conflicts and anxiety between you and your children.

Spend Less Than You Earn

Spending less than you earn is a critical discipline that must be exercised on a consistent basis. By applying this principle, children will learn to avoid a consumptive lifestyle and to accumulate savings over the long term.

Avoid the use of Debt

The world says, “Why wait when you can have it now?” and “Why pay now when you can pay later?” Many children receive credit card offers in the mail during their teenage years and observe their parents using credit frequently. If children are not trained to avoid debt and to say “no” to all that the world offers, they will become impulse purchasers and debt burdened consumers.

The temporal denial of wants and desires teaches children many things, including the truth that there are boundaries in life, and all of us need those boundaries. It can also teach children delayed gratification, which is a key to their financial maturity.

RAISING MONEY SMART KIDS – FINANCIAL PRINCIPLES

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Diversify Your Investments

A child may want to preserve/grow the money they have set aside in a savings account. Diversification can help protect their savings or minimize the risk of loss in the account. If one investment performs poorly over a certain period of time, other investments may perform better over that same time period, reducing the potential loss in the account.

Be Generous

The most significant way to model that God owns it all as a parent is in the area of giving. Anyone who truly believes that God owns everything will freely give, with the tithe merely being the beginning point. One way to teach your kids this lesson is to have family times when giving decisions are made. Another effective method to encourage giving behavior is to require young children to begin tithing on their allowance and gift money.

TWO STEWARDSHIP PRINCIPLES

There is no such thing as an independent financial decision.

Every spending decision is a spiritual decision. God has given each one of us resources to manage and guidelines on how to manage them to accomplish specific goals and objectives. When we make decisions, it affects the allocation of resources, time, and our ability to accomplish God's objectives for our life.

Children must learn that spending all their money on one item prevents them from buying other items. They also need to understand that there is a trade off between time-and-effort (cost) and money-and-rewards (benefit). The clichés are true: money does not grow on trees and there is no such thing as a free lunch. Every purchase costs either parents or children something in terms of labor. Every decision should be made to fulfill prioritized objectives, not feelings.

Maintain a long-term perspective

We should teach our children to think about long-term goals and to make their decisions by choosing the option that will best accomplish those goals. Children must learn how the decisions they make today affect their long-term needs and goals. The longer term the perspective, the better the decision that is likely to be made today.

LIFE SKILLS FOR RAISING MONEY SMART KIDS

Teaching your children money management skills is a critical step in preparing them for the future.

1. Setting up a Savings Program

Teach your children the importance of saving money. It is important for children to see their money accumulating. To get them off to the good start, make a house rule of saving 10% or more of their income or allowance.

2. Setting up and Maintaining a Budget

Require your children to write down everything they plan to buy each week and how much each item costs. Then have them compare it to their weekly allowance. If they do not have enough allowance to cover all of the items they want to purchase, it will require them to prioritize their needs and wants. By preparing a budget, it requires decisions to be made and priorities to be set. Budgets are not law; they are guides to achieving a spending pattern in accordance with preset priorities.

3. Using a Checkbook and a Credit / Debit Card

Children need to understand how financial institutions work and the best way to teach them is through experience. Help your children open their own bank savings accounts and have them make deposits regularly. Teach them how to use a checkbook, how a debit or credit card works, and how to reconcile a bank account. They also need to understand bank fees, how credit works, and the importance of protecting their sensitive bank information.

4. Making Smart Purchases & Good Decisions

Decision making involves choosing from among various alternatives. Failing to teach your children how to make decisions robs them of a vital skill for the process of living. A good way to teach your children how to make good decisions is to let them share in your decision-making processes. One key to good decision making is to make sure that every decision fulfills prioritized objectives and is not based on feelings. Remember the longer term the perspective, the better the decision that is likely to be made today. Children must have the ability to set their own priorities and objectives and the opportunity to make their own decisions. Do not make their decisions for them. Do allow them to learn the consequences of their decisions. Training children to make wise decisions is equipping them to live successfully.

5. Setting Goals and Planning for their Future

Having well defined goals provides both direction and motivation. Setting goals will help you accomplish your purpose in life, thus goal setting is a skill that must be learned and practiced. It is important to set aside a specific time for goal setting with children, maybe around their birthday each year. Goals should be documented, reviewed, and measured and can be set in any area of a child's life. Having goals helps a child focus on his or her purpose in life.

Training Your Children – Contrasting Mindsets

World View	Applicable Scripture	Biblical View
Inheritance	Proverbs 28:19 2 Thessalonians 3:10	Work
Mediocrity	Proverbs 22:29	Excellence
Instant gratification	Philippians 4:11	Delayed gratification
Get rich quick	Proverbs 13:11 / 28:20	Grow little by little
My generation	Psalms 78:5-7	Transgenerational thinking
My ownership	Psalms 24:1	God's ownership
Keep it all for myself	Proverbs 22:9	Give graciously to others
Do it my way	Proverbs 12:15	Seek wise counsel

TOOLS FOR RAISING MONEY SMART KIDS

THE ENVELOPE TRAINING SYSTEM

Budgeting is a process of allocating limited resources to specific objectives. Two elements that are necessary in any budget are 1) a plan for spending and 2) a system of controls to ensure that the spending is never greater than the plan has indicated.

One way to train your children to budget is using an envelope system. Beginning at about age eight, give each child a file box that contains five letter-sized envelopes. Label the envelopes: tithe, save, spend, gifts, and clothes. The “spend” envelope contains money that can be used in any way they choose. The “gift” envelope is the amount allocated for buying gifts at Christmas, birthdays, and other special occasions. The “clothes” amount is used to purchase all their clothes.

Each month, give a monthly allowance to each child to place in the envelopes according to the present plan. The amount set for each envelope comes from the annual planning session that you have with each child. Allowance amounts should be discussed for each of the five categories based on what they are required to pay for. Each month they should be given one-twelfth of the annual amount. As they earn money or as they receive gift money during the year, they should deposit it into at least three envelopes, and perhaps all five envelopes.

In the beginning, require them to put 10% into the “save” envelope and 10% into the “tithe” envelope with the remaining balances being allocated to the other envelopes as they deem best. This way you will help them see the value of giving and saving.

Each family has to decide what children are responsible for in the various categories. They need to know what they are responsible to buy, and that when the money is gone, there is no more. They also must learn to live within the designated amount. Whatever you decide they should be responsible to pay for, make sure you allocate enough money to that envelope for them to cover those expenses. The most important thing is not what children are responsible for buying but how they handle the responsibility of managing the money.

Each budget category needs to be reviewed for each child on a regular basis because circumstances and needs will change. Remember, the purpose of the envelope system is not to be rigid or have the system down pat but to teach your children the basic tools of money management.

Many parents are concerned that children will spend unwisely if they receive a large amount on a monthly basis. They may do so in the beginning, but that is how they are going to learn. After a series of mistakes, they will likely plan much more wisely. They must have the freedom to make their own decisions and the freedom to fail.

Once the amount for each category has been determined and you are comfortable that it is a fair amount, do not change it without a serious discussion. The key is to be cautious of manipulation. If your children learn that they can change the amount by arguing, pouting, scheming, or just asking, the whole system of spending limited resources has been destroyed. You have an awesome opportunity to teach your children delayed gratification through good money management and long-range planning. Help them learn to be responsible, mature individuals by being able to put off today’s desires for future benefits.

TOOLS FOR RAISING MONEY SMART KIDS

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The amount given to children as an allowance should definitely not (1) be withheld as a discipline or to influence behavior; (2) be based on performance of chores; or (3) vary once the agreed upon amount has been determined to be fair and reasonable. The system is to teach children money management, not as a disciplinary tool or a motivational tool to get good grades. There are other ways to accomplish those results.

Also, the allowance should not be a payment for chores that children should be expected to do as members of the family (such as doing the dishes, cleaning their room, making the bed, or carrying out the trash). Responsibility for these basic chores should begin at an early age. Other chores are optional, such as mowing the lawn, helping with the ironing, baby-sitting, or doing things above and beyond the normal expectations of the household. As a result, they learn that they can earn extra money, but they must trade time for the money.

What the Envelope Training System Teaches



SCRIPTURES ON RAISING MONEY SMART KIDS

This book of the law shall not depart from your mouth, but you shall meditate on it day and night, so that you may be careful to do according to all that is written in it; for then you will make your way prosperous, and then you will have success (Joshua 1:8).

He who tills his land will have plenty of food, but he who follows empty pursuits will have poverty in plenty (Proverbs 28:19).

Thus I hated all the fruit of my labor for which I had labored under the sun, for I must leave it to the man who will come after me (Ecclesiastes 2:18).

Do you see a man skilled in his work? He will stand before kings; he will not stand before obscure men (Proverbs 22:29).

Not that I speak from want, for I have learned to be content in whatever circumstances I am (Philippians 4:11).

Wealth obtained by fraud dwindles, but the one who gathers by labor increases it (Proverbs 13:11).

A faithful man will abound with blessings, but he who makes haste to be rich will not go unpunished (Proverbs 28:20).

So that you and your son and your grandson might fear the Lord your God, to keep all His statutes and His commandments which I command you, all the days of your life, and that your days may be prolonged (Deuteronomy 6:2).

These words, which I am commanding you today, shall be on your heart. You shall teach them diligently to your sons and shall talk of them when you sit in your house and when you walk by the way and when you lie down and when you rise up (Deuteronomy 6:6-7).

As a result, we are no longer to be children, tossed here and there by waves and carried about by every wind of doctrine, by the trickery of men, by craftiness in deceitful scheming (Ephesians 4:14).

All your sons will be taught of the Lord; and the well-being of your sons will be great (Isaiah 54:13).

For He established a testimony in Jacob and appointed a law in Israel, which He commanded our fathers that they should teach them to their children, That the generation to come might know, even the children yet to be born, that they may arise and tell them to their children, that they should put their confidence in God and not forget the works of God, but keep His commandments (Psalm 78:5-7).

Fathers, do not provoke your children to anger, but bring them up in the discipline and instruction of the Lord (Ephesians 6:4).

The way of a fool is right in his own eyes, but a wise man is he who listens to counsel (Proverbs 12:15).

Just as you know how we were exhorting and encouraging and imploring each one of you as a father would his own children (1 Thessalonians 2:11).

SCRIPTURES ON RAISING MONEY SMART KIDS

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