Money and the family:

Creating good financial habits

Money and stress go hand in hand. According to the American Psychological Association's 2014 Stress in America survey[1], money is consistently among the top sources of stress for Americans year over year. This year's survey also revealed that parents of children under the age of 18 are more likely than adults with no children to have higher financial stress and are less likely to feel financially secure.

Yet many Americans are stressing in silence. The 2014 survey results indicated that 36 percent of Americans are uncomfortable talking about money, and 18 percent say money is a taboo subject in their families. For many Americans money is a touchy subject.

That's a problem, experts say — especially in families with children. We develop our attitudes and beliefs about money in childhood. By talking often about money, and modeling good money management habits, you'll set your children up for a future of financial success.

Abstract concept

Most of us appreciate the importance of discussing money matters. Nearly all of the 2014 Stress in America survey respondents (95 percent) said parents should talk to their kids about money. But only 64 percent said they themselves were taught how to manage money, and just 37 percent said they often talk with their family members about the subject.

Yet helping kids become financially literate is more important than ever before, experts say. Previous generations could count on pensions and social security benefits to sustain them after retirement. Now, individuals must start planning — and saving for— retirement decades in advance.

Making matters worse, money has become an even more abstract idea. Credit and debit cards have replaced dollars and coins, making it difficult for kids to grasp the concept of paying for goods and services.

Open dialogue

With a little planning, you can talk to your kids about money in healthy, helpful ways.

Include the entire family in financial discussions. You may want to avoid the word “budget,” since it makes people think about cutting back. Instead, sit down together to develop a family spending plan. By focusing on what expenses are important to your family, you will naturally find ways to cut back on items you care less about.

Keep your goals front and center. Consider making a collage or bulletin board to represent your family’s financial goals. A daily reminder of the vacation you’re saving for or the house you’d like to buy helps both kids and adults keep big-picture goals from getting lost in the day-to-day shuffle.

Save together, spend together. When you decide to save for something as a family — such as a new computer or a trip to a theme park — show kids what saving money actually looks like. Get a big jar, and each week add dollars to the jar so the kids can see the savings grow. When you have enough saved, comparison shop together to help the children learn how to find the best value for their dollar.

Choose your words carefully. Parents often find themselves saying, “We can’t afford it.” But that can send a confusing message to kids. Some might worry that their family doesn't have enough money for necessities. But often, they know you’re not being completely honest — technically, you probably could afford that $10 trinket tempting them from the checkout aisle. Instead, try saying, “That’s not how we choose to spend our money.” This helps kids think about what they value. You might also say, “We can’t buy it now, but we can talk about how you can save for it, or you can put it on your birthday wish list.” That helps children learn to delay gratification and plan their spending — two important pieces of financial health.

Use allowance as a tool

Experts recommend giving children an allowance as a way for them to become financially literate. But don’t tie the allowance to chores. That can backfire when kids expect to get paid for everything they do to contribute to the family.

Many financial experts recommend getting (or making) a piggy bank that’s divided into sections. Each time the child receives an allowance, he or she should put a predetermined portion into each section:

- **Spending** — Kids can spend freely from this section. But when it’s gone, it’s gone!
- **Saving** — Children can set a spending goal and save up to meet that goal.
- **Donating** — By setting aside some money to donate, children learn the value of charity.
- **Investing** — Help kids learn to save for the future. Once you have enough money saved up in this section, you can help your child open an investment account.

When your child becomes a teen, consider giving allowance on a prepaid credit card. This way, children can learn to track how much they've spent and how much they have left to parse out. When they go on to use their own debit and credit cards, they’ll already understand how to track and manage electronic money.

Seek professional help

If you’d like help managing financial stress and your family’s financial behaviors, consider talking to an expert. Some certified financial planners provide financial education, and some also work with financial therapists. Many psychologists — including family therapists — have experience helping clients with money matters. To find the right fit, ask a psychologist if they have experience with financial issues.

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[1]For full report and methodology please visit stressinamerica.org.