



# HOW TO RAISE KIDS WHO ARE SMART ABOUT MONEY

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Everyone knows the earlier you learn a language, the easier it is to master. Learning a foreign language at four takes a lot less effort than learning one at forty. The same holds true with managing your money. I can tell you this from personal experience.

I grew up in a home where the value of money was a frequent topic of conversation. Today, I teach people how to get out of debt and build wealth with my dad, Dave Ramsey. Growing up in my parents' home, I learned a few things about kids and money.

Here are three:

One: Put your kids to work.

It's very important that your kids understand that money comes from work – not from mom and dad's wallet. As soon as your children can grasp the concept of cause and effect – and that happens at a very young age – you can start teaching them about the work/money connection.

Have them clean the playroom, take out the trash, put away their laundry – there are a million things they can do. Just make sure it's age appropriate. Don't have your five year-old mow the lawn. And pay them for some of the work they do.

Let your kids know that in the real world you get paid only when you work. And it's with the money made from work that you can buy the things you want.

When children work for things they want to buy, the purchase feels like an accomplishment, not an entitlement. You're sending the opposite message when you just hand your kids a \$20 bill when they ask for it, or give them an allowance for essentially breathing.

Of course, not everything your child decides to buy will be a smart purchase. And that brings us to...

Lesson Number Two:

Let your kids make mistakes with their money.

Many adults make expensive mistakes because, as kids, they were never allowed to make small, inexpensive ones. Tears now will save a lot of tears later.

When I was young, my parents took our family to Opryland Theme Park in Nashville. Dad and Mom had one simple rule: If you want to play the carnival games, you have to spend your own money.

Of course, I ran to the first game near the entrance, slapped some cash on the table, and took my turn. I lost. So I put down more money. And I lost again – and again. And then came the terrible moment when I reached into my pocket and found nothing but lint.

We had a whole day at Opryland ahead of us and I had blown through my cash! I ran back to Mom and Dad and begged them for more money and promised I'd pay them back. What Dad said has stuck with me ever since: "Rachel, when the money's gone, it's gone."

Your children are going to make some dumb choices. They'll waste money on stuff that a week later they wish they had never bought. And as their parent, there are times you need to let them make that mistake and suffer the consequences. That's how they learn.

Lesson Number Three:

Teach your kids to make saving a habit.

Saving money is a discipline. How many adults do you know who save on a regular, consistent basis?

But here's a fundamental, financial truth: if you don't save money, you won't have money.

Teach your children that saving is one of the first things you do when you get paid – not what you do with money you have left over.

Fast-forward twenty years. If they haven't learned to save, they're likely to go into debt for the things they want or need. Once they start down that road, it's very unlikely that they'll build wealth because their paycheck will be going to debt payments instead of investing for the future.

I encourage parents to teach their children to save some of the money they earn. The habit of saving money is what's important here, not the exact dollar amount. The amount they save will depend on what they're saving to buy. And better for them to learn how to save now – when Mom and Dad are supporting them. Or

Mom and Dad – that's you – will be supporting them a lot longer than planned.

So start today: help your kids become fluent in the language of money and how to handle it. Because if you don't...well, all I can say is get the basement ready.

I'm Rachel Cruze for Prager University.