

## For Families



## Learning about finances



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INSIGHTS FOR FAMILIES is provided by your child's school in recognition of your role as a partner in education. Insights is produced by Marcia Latta, communications consultant.

*“Financial literacy is the possession of skills that allows people to make smart decisions with their money.*

*And don't be misled by the word literacy. Although understanding statistics and facts about money is great, no one has truly grasped financial literacy until they can regularly do the right things with money that lead to the right financial outcomes.*

*When you have this skill set, you're able to understand the major financial issues most people face: emergencies, debts, investments and beyond.”*

—Dave Ramsay

Personal finance is an important practical skill that every person must know. While we may argue about the merits of algebra as an essential skill, most people agree that students should master skills to manage money. Statistics show that the average person lacks those skills. According to personal finance expert Dave Ramsay, “if you used the number of people who don't live paycheck to paycheck as an estimate of financial literacy, only about 20% of people would qualify.”

### **Consider these additional statistics:**

- Nearly four out of every five U.S. workers live paycheck to paycheck.
- Over a quarter never save any money from month to month.
- Almost 75% are in some form of debt, and most assume they always will be.
- Only 39% of Americans would be able to cover a \$1,000 emergency, and about 40% of Americans wouldn't be able to cover a \$400 emergency.

[www.daveramsey.com/blog/what-is-financial-literacy](http://www.daveramsey.com/blog/what-is-financial-literacy)

Schools should teach personal finance, but parents play an essential role in their kids' attitude about money as early teachers and primary role models.

### **Resources for personal finance lessons**

The statistics above show that even parents need refreshers on money education. Where to start? Comprehensive personal finance knowledge includes budgeting, insurance, wills, loans, credit, taxes, interest rates, debt management, retirement planning, and more. It can seem overwhelming.

Fortunately, there are resources to help parents weed through the vast field of these topics to find the essentials for getting started.

## Tips from Warren Buffett

Warren Buffett said he made his billions by applying lessons he learned throughout his childhood. He said the biggest mistake parents make when teaching their kids about money is starting too late. “Sometimes parents wait until their kids are in their teens before they start talking about managing money — when they could be starting when their kids are in preschool,” he said.

Starting early can help kids form good habits and influence future money behaviors. Buffett’s web series, “The Secret Millionaires Club,” has 26 animated episodes about finance and money management. It is available online at [www.smckids.com](http://www.smckids.com).

Buffett’s web series teaches many lessons about money, including the following key lessons to reinforce them.

**1. How to be a flexible thinker:** Encourage your kids not to give up just because something doesn’t work the first time. Help them build skills to think creatively, which is useful throughout life and for future financial challenges.

**2. How to start saving money:** To help your kids learn to manage money, they must understand the difference between wants and needs.

**Activity ideas:** Help them separate their money into two jars — one for saving and one for spending. Talk to them about planning for how they plan to use their funds, and help them understand the difference between wants and needs.

**3. How to differentiate between price and value:** Help kids understand how to tell what is and what isn’t worth paying for.

**Activity ideas:** Make a shopping list and check flyers, newspapers and websites with your kids for items on the list that may be on sale. Compare those prices and see which store offers the best deal for a specific product.

Help your kids choose and evaluate a magazine ad. Ask them what is being sold. What message is the ad trying to get across? What catches their attention in the ad? How does the ad make them feel? How is it trying to persuade them to buy the product?

**4. How to make good decisions:** Teach them to make smart decisions by thinking about the future outcome of decisions they make now.

**Activity ideas:** First, model good decision-making and talk to your kids about your decision-making process. Discuss how a decision can impact other choices (i.e., if we buy this TV, we won’t have money to fix the car.) Get your kids in the habit of making good decisions about how to save money and thinking about the opportunity costs of purchasing something they want but do not need. For every purchase they make, they will no longer have that money for other purposes. Also, discuss the amount of time each item costs. How long would they have to work to earn the item, and is it worth it?

<http://bit.ly/2YiOhU8>