

## **Introducing children to financial independence.**

Money can be such an emotive issue. Our attitude towards it can be affected by our childhood circumstances, our positive and negative experiences of financial matters in adult life and the extent to which we feel in control of this area of our lives. It has the potential to make or break relationships.

How does this affect our children and their financial independence?

For children to learn to be financially independent, they need to have the opportunity to take responsibility for money. This means having some kind of allowance, or pocket money of their own. Very young children are likely to find abstract concepts difficult to grasp and so they might well start with keeping a small supply of cash at home. This can be manipulated, counted and played with and then exchanged at shops for items they value. Later, opening a bank account in their own name will introduce them to some of the more abstract areas of money management, such as understanding bank statements and interest payments on their savings. Even the process of choosing a bank account can lead to some interesting and educational discussions. Where does this bank invest its money? Where does it stand ethically and do you agree with that? How well does it treat you as a customer? Is it respectful of children? Can you access their banking services online, by telephone, at a local branch? Which is most convenient for us?

Once children have been given some financial responsibility, then we need to consider what our involvement is going to be. Are we going to let them make mistakes e.g. overspending? If so, do we bail them out? What about credit? Do we offer them loans when they are short of money or suggest that they save a certain proportion of their allowance each month? And how do we feel about children earning part or all of their allowance rather than it being given to them?

With matters such as these, I would encourage parents to discuss the issues with their children and to listen carefully to their children's ideas and contributions. It really is amazing how creative and insightful children can be. In one family I know, the children asked their parents for an increase in their monthly allowance. Their parents could not afford to do this without finding the extra money from elsewhere and explained this to the children. The children suggested that they forego their Christmas presents and that the money that the parents would have spent on them be divided by 12 and added to their monthly allowance instead. According to the parents involved, this has worked out well for the whole family, since they now find it easier to budget for Christmas and the children are more financially independent for the rest of the year.

Another family I know regularly partake in car boot sales. They view this as a fun and interesting family outing, a chance for the children to experience haggling and negotiating and handling money from the seller's point of view. The children have also learned the value of recycling unwanted items and the advantages and pitfalls of buying items second hand.

Children need good role models who are adept at handling their own financial affairs and are prepared to discuss such matters openly. That's where we come in!

When we are open and honest with ourselves about our attitude to money then we are free to discuss these matters with our children. For them to learn from us, they will need to see us carrying out activities such as earning money, reconciling our cheque books with our bank statements, paying bills, dealing with insurance, tax, credit card payments, and exchanging currency if we travel abroad. So, as with many aspects of parenting, encouraging financial independence in our children works best when we've got our own financial act together first!

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