



Give her a small amount of money to manage on her own.

## Fiscal Lessons

Your child won't learn budgeting skills that will be essential for him in the future unless you make special efforts to show him how. Don't delay. Get started now.

by ARUNDHATI NATH

**T**he other day, as I ventured into a toy store to buy a gift for my niece, I could hear voices raised in an angry debate. "No! I want all three—the Barbie, the video game and the big blue teddy," protested a pre-teen, all too determined, while her mom wanted her to buy one toy.

Children, at this age, might not understand the implications of being an impulsive shopper. The

concepts of savings and budgeting are not clear to them. In fact, for them, these are completely alien topics. They will never get to realize the value for money, if we, as parents, pamper all their whims and fulfil all their fancies. Teaching money management to your children at a young age helps them grow into money-smart adults in the future. Here are some simple ways to begin now!

### TEACH THEM TO 'VALUE' MONEY

As parents, we need to take care of our own things—be it a costly watch or an inexpensive pen. "Children automatically infer that things are valuable because their parents value them," says Mala Kumar, author of the *Rupaiya Paisa series*, and Editor, Pratham Books. "Without being miserly or thrifty, or boringly moralistic,



parents can ensure that they themselves never waste any resource, be it food, electricity or water. Small monetary gifts in return for simple work done at home can also make children appreciate the fruit of hard work," she adds.

#### TALK ABOUT EXPENSES

Make your youngster sit with you the next time you plan your expenses and pay your bills. Your child will know the real picture only when you tell them that you have to work hard to earn, and need to save some amount for the future, after making necessary expenses. Meena K., a Guwahati-based bank official, says, "I speak to my 11-year-old son, Vicky, about the household expenses and how I manage it through a budget, so that he understands that money is limited and does not come for free."

#### TEACH THEM TO BUDGET

Use simple ways to teach them the necessity and process of budgeting. "Children should be taught to input into the family budget and understand the dynamics of a trade-off. For example, a vacation to Europe might mean less gifts on birthdays and holidays. Even if you can afford both, it is important that they learn early enough to make trade-offs, unless you plan on funding their lifestyle forever," says Christopher Tasik, Founder and Managing Director of Tasik Financial Strategies LLC, in Connecticut, US.

#### GIVE THEM AN ALLOWANCE

Nitin Vyakaranam, Founder and CEO of ArthaYantra, an integrated personal finance advisory company, feels that giving a monthly allowance that matches the child's needs is a great tool to inculcate the habit of saving.

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"Ask your child to pay from his allowance each time he wants a chocolate or a toy. This would help him curb his instinct of instant gratification and he will know how to differentiate between 'needs' and 'wants' from a young age. Encourage kids to save as well. Put extra prize money if the kid saves more in a certain month. This can be a simple example of the interest they can receive on their savings accounts in banks," he adds.

#### INCULCATE CHARITY

Kumar feels charity could begin with parents being helpful to people around the house needing help. "Encourage your child to part with a small part of his allowance and buy a pencil for a needy child. If possible, do take your children to a charity dance or music show, and explain how the system works," she says. Also, find out if you could donate some part of your child's savings to an orphanage, old age home, or library. Children are naturally happy to help.

#### BELIEVE IN YOUR CHILD

Do not expect an over-pampered child to turn money-savvy

overnight. Always be patient. Instead of shouting at her for asking for an expensive dress, tell her that your finances do not permit you to buy that dress immediately. You will be surprised how children behave when you take them into confidence.

Mohini Sharma, a homemaker based in Jaipur, says, "When my 12-year-old daughter, Pooja, asked for something expensive and unnecessary, I calmly explained to her that it is too costly and is not something that we require at the moment. To my amazement, she understood and also became more careful while spending money after that conversation." ❀

### Make Him Money-smart

These tips will go a long way in raising a rupee-wise kid.

- Explain to your kid that money is earned through hard work and one needs to spend it cautiously.
- Do not let money talk be a taboo in the family. You need to be realistic and talk to your kids frankly about it.
- Show your kid how to allocate his allowance into three parts, one each to spend, save and invest, appropriately.
- Children love emulating. Be money smart yourself too!
- Nitin Vyakaranam, Founder and CEO, ArthaYantra, advises, "Make a list of items to buy when you visit the supermarket. Ask your pre-teen to add up the prices of goods you intend to buy and give them a budget figure as a cut-off price to compare if it is within the budget."