

This is the fourth of a 12-part series aimed at educating consumers to be more financially responsible for themselves and their families. This series is produced by the Consumers Association of Singapore (CASE) and The Association of Banks in Singapore (ABS) as part of the MoneySENSE National Financial Education Programme. This series is supported by the following financial institutions: American Express Foundation, ABN AMRO, Citibank, DBS Bank, HSBC, Maybank, OCBC Bank, Standard Chartered Bank, and United Overseas Bank. Today, we look at how to help the young learn financial responsibility.

Educating and motivating our young to become financially savvy will enable them to keep more of the money they earn and do more with the money they keep. The key is to develop good attitudes and habits towards spending and saving from young.

Thrift is a habit

To encourage the young to save, provide a piggy bank for their savings. Give them money in small sums to encourage saving. For example, if you give \$10, split the money into five \$2 bills. Then explain that it is good to save at least one of the bills.

For older children, bring them to the bank to open a savings account. Most banks offer savings accounts for children.

If your children want to use their savings to buy something, don't say no immediately. If they have made the effort to save to buy an item they want, then they are learning the benefits of saving to achieve a goal. Denying them will likely discourage them from saving for their own future.

Money is earned

There is always something to clear, pick up and clean at home. Even five-year-olds can pick up their toys and books if they learn to do so from young. While you may not want to pay your children for doing basic household chores to avoid developing a 'money can buy anything' mentality, you may want to make up a list of additional tasks the children can do to earn a little extra income.

Then help them to keep a weekly or monthly record of the income earned, as well as any

allowance given. If they spend, make a note of that too. By keeping their own records, the children would have learnt a good habit. They can also keep track of progress towards reaching their savings goal. At the end of each week or month, the children will have worked out a budget for themselves.

Smart spending

We have many wants but, often, limited resources. So help your children learn the difference between needs and wants. For instance, instead of buying on demand, encourage children to look forward to special occasions for gifts.

Even when we have to spend, we can show children how to do so wisely. For example, before visiting the supermarket with your children, sit down with them to make a list, check the newspapers for advertised weekly offers and get your children to help you cut out the discount coupons for items you want to buy.

Allow your children to practice what they learn and experience the consequences of their actions. For instance, if your child squanders his weekly allowance, don't give him money for that movie ticket he should have saved his allowance for. Don't be too quick to bail your children out of financial scrapes, or they are likely to get into even bigger trouble when they are older.

Credit-based spending

If parents practice thrift, their children are also likely to learn to save regularly. On the other hand, if credit-based spending is the norm for parents, their children are more likely to use credit freely

when they start working. If you use your credit cards in the presence of your children, explain to them how this mode of payment works and how to take precautions against fraud. Equally important, explain to them how you will pay for your purchases. By preparing your children early, they are less likely to abuse any credit card

given to them in the future.

Saving and spending as a family

As your children grow, involve them in discussions and decision-making about the family finances. Talk to them

about your values concerning money and have regular family discussions about issues that have an impact on the family's financial health. Some topics may include the differences between cash and credit, savings versus investment growth, and the impact of the economy on the individual e.g. job security.

To balance your children's growth and outlook, you may want to plan family activities that teach your children that, sometimes, you can do something rewarding simply by setting aside a little time and/or money for a worthwhile cause, like helping out at the community fund-raiser.

Opinions: Will you give your child a credit card?

I prefer to let my child earn and apply for his own credit card, unless he is going overseas for further education. Then I will consider giving him a supplementary card, but will place a credit limit through the bank to discourage misuse of the card. - **Mrs Y L Tay**, *business development manager*

Sure. As long as they are taught not to abuse it, it's fine. My dad gave me a credit card when I was still schooling, since it made payments for fees or necessities easier. But I almost never used it unless it was absolutely necessary. Likewise, now I hardly use the supplementary card given to me by my husband. Good training helps, I guess! - **Ms Toh Li Lin**, *manager*

No, unless they can prove that they can afford it. - **Mr Goh Cheng Hoe**, *manager*

I'd rather they apply for their own credit cards after earning their own money. That way, they will spend with more care and wisdom. - **Mr David Choo**, *managing director*

Contest #4 (Please read the article and answer the following questions)

- We should develop attitudes and habits towards spending and saving from _____.**
 - adult
 - middle age
 - old
 - young
- Children should be taught that money is earned _____.**
 - by asking from parents
 - by doing homework
 - for doing nothing
 - for work done
- How do you teach your children the benefits of saving to achieve a goal?**
 - Do nothing
 - Encourage them to save money to buy what they want
 - Give them money to buy what they want
 - Give them what they want
- Suggest one way to discourage future credit abuse by children.**
 - Show them that you buy everything on credit
 - Give them a supplementary card and then forget to explain how credit works
 - Explain how you plan to pay for items charged to your credit card
 - Scare the children into thinking that credit is the greatest scourge on earth
- How do you educate your children to manage their income?**
 - Explain how credit works
 - Encourage your children to save money to buy what they want
 - Teach your children that money is earned for work done
 - All of the above

Terms and Conditions

- Every entry must be on the official entry form. No photocopies please.
- Judges' decision is final.
- Winners will be drawn from correct entries.

- Winners will be notified by post.
- Prizes are not transferable or exchangeable.
- There will be three winners each contest. Each winner will receive a \$50 cheque and 12 issues of The Consumer.

Official Entry Form (Contest #4)

For each question, please circle the correct answer:

- a b c d
- a b c d
- a b c d
- a b c d
- a b c d

Name: _____

NRIC: _____ Age: _____ Sex: _____

Occupation: _____

Tel: _____ Handphone: _____

Address: _____

Send your entry to:
'Dollars & Sense'
Contest #4

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Closing date:

**Entries must reach us
by 12 December 2003**