



A LESSON IN LEADING BY EXAMPLE

Teaching Kids Good Financial Habits

Just like other healthy habits, financial fitness begins at home. It's never too early to teach children the value of saving. Establishing good financial habits at an early age can lead to lifelong practices of saving and financial planning.

Emphasize the importance of saving to your child. Money earned from chores or given on special occasions can be saved for future expenses such as college.

DID YOU KNOW?

- A third of Americans have no personal or retirement savings; and a quarter have saved nothing for retirement.
- One in 10 have trouble with mortgage payments.
- Millions struggle to pay bills on time, with 7%, or about 15 million adults, getting calls from collectors or considering bankruptcy.
- Among those graduating college with debt:
 - 34% say they have sold possessions to make ends meet.
 - 42% say they live "paycheck-to-paycheck."
 - 27% say they delayed getting a medical/dental procedure.
- 9 in 10 say graduating without debt is a "big advantage in life."
- 44% of those still paying off education-related debt have had to delay buying a house. 28% have delayed having children.

(Source: [Graduating with Debt: The Biggest Threat to Young Americans' Financial Well-Being?](#) AllianceBernstein Investments, 2008)

SETTING AN EXAMPLE

- Children watch their parents deal with money. Parents are among the most powerful influences on how and what kids learn about money.
- About half of those who closely monitor their finances reported learning money-management skills at home.

BENCHMARKS FOR YOUTH

Teaching your child about financial fitness can be fun. When children establish good financial habits at an early age, it can lead to lifelong practices of saving and financial planning.

- By kindergarten, children should understand that money can be spent, saved and shared. They should also understand that:
 - Saving should be a habit.
 - A portion of any money they get is put aside for "later."
 - "Out of every dollar, save a dime."

- Once money is spent, it's gone.
 - People have to make choices with money.
- By the fourth grade, students should understand that responsible borrowers pay back loans as promised.
- By the eighth grade, students should understand how interest rates and loan lengths affect the cost of credit.
- By the 12th grade, students should be able to define standard credit card disclosure terms and know how to fill out an application.

TEACHING TIPS

As you're teaching good money habits, keep the following in mind:

- Keep it fun. Games, songs, coloring books and piggybanks are great tools for teaching about money. Discussions with your budding financial genius should be light and conversational, not doom and gloom.
- Seize the teachable moments. Opportunities to talk about saving arise frequently in daily life. At the grocery store, talk about how making a list before shopping helps ensure you get only the things you need – so you save money by not buying things you don't. At the bank, you can talk about how you put money into your account so you can get it out later to spend. When back-to-school shopping, discuss needs versus wants.
- Keep it simple. The older children get, the more questions they'll ask about money – some of them may even stump Mom and Dad!

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