

Parent Resources



HELP KIDS LEARN TO SAVE WITH A SAVINGS ACCOUNT

By Lisa Malice, Ph.D.

In an increasingly consumer-oriented, credit-dependent culture, one of the most important things we can teach our kids about money is how to save it. Children are bombarded with advertisements for a great variety of things – toys, candy, snacks and cereals, computer and video games – but nowhere in these ads are children encouraged to delay their urges for instant gratification and plan for their purchases by setting and working towards savings goals.

One way to help your kids learn to become savers is to open a savings account in their name. As you and your children fill out the paperwork for their account, talk about what goals they have for saving their money:

What is it they want to buy or save towards? How much does it cost? When do they want to be able to buy it? How much do they need to put in their savings accounts each week or month to meet that savings goal?

Children should be encouraged to set short-term and long-term savings goals. A short-term goal for a young child may be the purchase of a \$20 computer game by saving \$4 a week for five weeks, while a short-term goal for a older youth might be a saving \$20 per month for 10 months to buy an expensive electronic gaming system. Long-term goals would require a longer period of saving, presumably for a much more expensive item or purpose, such as a first car or college expenses.

After the savings goals are set, encourage your children to make their regular deposits every week with a trip to the bank to put their money in their account. Teach your children to record their deposit in a savings register so they can watch their account balance grow. This also helps them understand the real world value for knowing how to add. When your children make their savings goal and are ready to make their purchase, be supportive of their decision. Make it a special event to go to the bank, withdraw the money, and make the purchase. This will reinforce the idea that saving money to make purchases can be fun! Make sure they record their withdrawal in their bank book and note how the money was used.

Originally published in Raising Money-wise Kids, special edition newsletters of East Side PTA. Reprinted by permission by Lisa Malice. Lisa is an organizational psychologist who served on the Board of Directors for East Side PTA and Georgia promoting parent involvement in education, including youth financial literacy programs. She is currently supporting youth financial literacy full-time as an independent consultant.