

Teach your kids to save

When it comes to saving money, teaching a new generation how to save is one of the most positive steps South Africa can take as a nation.



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So says Rick Briers-Danks, certified financial planner at Veritas Wealth, in light of National Savings Month, the public awareness campaign during the month of July which highlights the importance of saving.

Briers-Danks likens savings to the well-known Frederick Douglas quote: "It's easier to build strong children than to fix broken men." Briers-Danks believes that while it is very important to continue educating adults about the value of saving, more focus needs to be placed on children and teenagers today. "Teaching our children how to save now will do far more to ensure a stable future rather than trying to change bad habits later on," he said.

Having good money sense doesn't necessarily mean growing up in a rich family. In a recent Moneyweb article, Financial Advisor Warren Ingram said: "Successful retirees did not necessarily have wealthy families and nor were they particularly financially sophisticated but very often their parents were prudent with money. They instilled an ethic in their children that saving was important. Many of these successful retirees had to work for money as children. Sometimes it was part-time jobs during holidays or working around the house for pocket money. Very few of them were simply given everything they wanted. This is a wonderful lesson for parents today."

Briers-Danks adds that while there are many skills we can teach our children about how to save, ultimately, parents set the critical tone and instil values in their children about spending vs saving. "As their children's most influential role models, parents need to get their own financial house in order and walk the talk, if their kids are going to grow up with good money habits. As a parent, you need to demonstrate critical things like caution and consideration when you are making big spends, which will in turn teach your children the same. Spontaneous on-the-spot spending can teach children bad money habits whereas seeing parents discuss, contemplate and wait before making a large purchase sends the message that one needs to wait (or save) before you can afford certain things in life. Teaching children how to avoid instant gratification

starts early, and you should begin showing them how to budget and save before they even start school."

One of the challenges in today's economy is the fact that money has largely become invisible. Gone are the days when, in working class societies, wages were placed in different jam jars labelled Rent, Food, and so on, according to authors Andrew Bradley, Arun Abey and Andrew Ford of the book *How Much is Enough?* "It was easy for everyone in the family to see where the money came from and exactly where the family finances stood at any given time." Today, children often have very little understanding of where money comes from, and why you can't pay for anything you want with a credit card.

Briers-Danks agrees with Bradley, Abey and Ford in that it is critical to teach children from a young age that security and well-being depend on how sensibly you spend, save and invest your money as much as on how much you earn and what you buy and own.

Here are some from Veritas that will help you to raise children with good savings habits.

For Children of All Ages

- Teach them about the value of experiences over things, which research has shown give us greater pleasure in life. Give them experiences that immerse them in the great outdoors, unknown places and culture, rather than material possessions. If you are giving them material things, try to make most of them experiential as well, i.e. a bicycle, musical instrument or a camera.
- Talk about money in front of your children. Many people avoid this, but if you have healthy discussions about money in front of them, they are more likely to develop the right attitudes towards savings.

For Older Children

- Open a high-yield savings account and teach them about how compound interest works by showing them regular statements.
- Conversely, educate them about credit cards, and how quickly compound interest works against you in debt situations.
- Help your child prioritise short term and long term savings. Teaching them how to allocate portions of their pocket money to various goals is a way for them to start building a skill set in financial planning, which will serve them well through life.
- Involve your children in shopping for good deals - it's a skill they will quickly pick up from following your lead.

For Younger Children

- Keep savings very visible. You can try the old jam jar system as a savings mechanism for short-term and long-term savings. Children can even draw pictures to illustrate what they are saving for...i.e. a specific toy for short-term and a trip to an exciting destination for long-term.
- Make a savings goal chart, with squares for each week required to save up for a specific goal. Use stickers or stars to show them their progress.
- Make matching contributions to keep up morale and teach them about how matching employer contributions can ultimately impact retirement savings.