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CARE Program - Teach Kids About Finances

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As your children and grandchildren head back to school this month, it's the perfect time to begin home schooling classes on personal finances. Their attitudes and habits about money will be more influenced by how they see you handle your finances, if you explain what you are doing and why, than by anything they will learn in school. Unfortunately, if you don't work with them, there's a good chance that in school they won't learn enough of what they need to know for them to survive in today's competitive consumption, debt is ok, easy credit, society.

It's never too early to teach kids the habit of saving. When they are young, have them set aside something for the future from their allowance and family gifts. Teach them the value of money and getting the most for their dollar by explaining to them why you shop for sales, with coupons and at buying clubs and discount stores. Show them that store brands at the grocery store are less expensive and often the same quality as more expensive brands. Teach them to live within their means by not offering to kick in the difference when they go to the mall to buy a shirt, and the one they want costs more than the money they have. Explain that they need to buy the shirt they can afford, or come back next week when they can afford the more expensive one. Show them the difference between needs and wants and how to make good spending decisions by discussing with them the good reasons you have for everything you purchase.

For high school students, it's time to really get serious about personal finance. Here's what you can do:

First, open a joint checking and savings account with them. Have them commit to

depositing into the savings account a portion of all of their income to create an emergency fund (perhaps \$500), then have them identify some things they want that they can buy only after they have saved enough (perhaps an iPod or concert tickets). This will teach them delayed gratification. For their checking account, teach them to make an entry on their check register whenever they write a check, and how to balance the account when the monthly statement comes. That is also a good time to discuss the wisdom of the spending decisions they made that month.

Second, get them a debit card without overdraft protection that is tied into their checking account. Teach them to make an entry on their check register whenever they use the card, so they will always know what is in the account. Using their bank accounts and debit card responsibly will show them how to manage and budget their money and make good spending choices for the rest of their lives.

Third, explain the dangers of credit cards. Discourage them from having a credit card until they are a senior in college or have a full-time job. Discuss with them that if they do get a credit card and don't pay the balance off on time every month, they may end up paying two or three times more for everything they charge, and it can take years to pay off the balances because of the high interest rates and hidden fees.

Fourth, encourage them to get into the habit of using cash. Show them to create a weekly cash budget for things like movies, haircuts, fast food, convenience store snacks and stops for specialty coffee. Suggest that if something is under \$20.00 or you can eat it or drink it, pay cash for it.

Have them visit the CARE Program Web site, www.careprogram.us, to learn important tips and for links to other financial Web sites.

Remember — you can never EXPLAIN too much.