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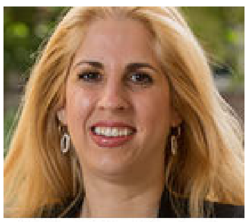
Money skills key to child's future

By Chris Kissell • Bankrate.com



Michal Grinstein-Weiss

Washington University in St.Louis

The ability to properly manage personal finances is a skill that develops over a lifetime. And it is never too early to begin the process, says Michal Grinstein-Weiss, associate professor at Washington University in St. Louis and associate director of the Center for Social Development at the George Warren Brown School of Social Work.

Grinstein-Weiss believes children should start learning about money and savings very early in life -- "even preschool isn't too early," she says. In the following interview, she outlines her thoughts, including the role that parents and schools should play in the process.

Q: **In your study, you advise parents to open a savings account as early as possible. What benefit would the child gain from this?**

A: We have a growing body of evidence, led by professor William Elliott III (at the University of Kansas School of Social Welfare), that having a savings account established in the child's name -- especially an account designed for education -- is associated with higher rates of both college enrollment and graduation, as well as greater academic achievement. These results appear to be primarily related to the expectations for higher achievement and college attendance that go hand in hand with having savings for college in the child's name.

Equally encouraging is that the dollar amount of the savings account does not seem to be determinative of students' educational outcomes. Even college savings accounts with very low balances have been shown to have positive effects on students' educational outcomes.

Q: **How important is educating students about money management?**

A: I believe money management skills are very important for students of all ages, and ensuring that our children learn these skills is an important goal that parents and schools should work together to achieve.

As financial matters become more intertwined with every aspect of our ever-more-complicated lives, teaching financial literacy is a necessity, and one that needs to be given equal attention as much as other basics of education. Even in elementary school, children form financial habits -- such as forgetting to return library books and leaving fines unpaid. If people continue to hold these habits as adults, it can affect their credit scores and come back to haunt them when they are applying for a job.

Certainly a student cannot be considered prepared for college unless he or she really understands money matters. Without financial literacy skills, when they reach the age of 21, college students are too easily swayed into opening several credit card accounts. They soon end up not only deeply in debt, but with a credit history that will take many years to repair.

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The good news is that we have growing empirical evidence that shows the kids whose parents and schools are teaching them money management skills grow up to be adults who make sound financial decisions and do well at managing their money.

Q: **At what age should schools start teaching about basic personal finance topics?**

A: As early as possible.

Even preschool isn't too early, and schools should definitely include financial topics in kindergarten. Many core subjects such as math and social studies can integrate money management and financial topics into routine lesson plans.

Q: Do you believe parents have a responsibility to teach their kids about money and finances?

A: Yes, I think parents have the primary responsibility for teaching and modeling money management skills to their children. Parents usually do not hesitate to teach their children about good manners or how to behave in public, even though most parents have not had etiquette lessons themselves.

However, too many parents are reluctant to teach their children about finances because they think they do not have the necessary training or knowledge to do so. But the value of financial lessons taught by a parent should not be underestimated.

Q: Is educating students about money management the responsibility of a school? Should it become a requirement to pass a financial literacy class to graduate?

A: Yes, I believe both the schools and the parents share responsibility for making sure children are financially literate. Parents have an important role, and they can often take an informal approach to teaching money management through sharing routine home-related financial tasks, such as paying bills, comparing costs or creating budgets.

On the other hand, schools can take a more formal approach to include financial topics in the curriculum to ensure that all students have at least a basic knowledge and certain set of skills. Requirements for different levels of financial knowledge should be included in the criteria for advancing to the next grade and, ultimately, for high school graduation.

If we do not give greater attention to equipping our students with financial literacy skills, then we are guilty of doing a poor job in preparing our children for successful futures.

Financial literacy deserves much more attention because, as noted in a recent publication, "Teaching Children Money Management," a national survey showed that more than half of high school students failed (an exam) of financial knowledge.

We would like to thank Michal Grinstein-Weiss, associate professor at Washington University in St. Louis and associate director of the Center for Social Development at the George Warren Brown School of Social Work, for her insights.

Posted:Feb. 19, 2013

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