

Lindsey—

“Beginning to budget at an early age really helped solidify the concept of spending within my means and always making efforts to save and give. Seeing that there was a set projected amount for the year made it easy to make better purchasing choices. As an adult, I feel comfortable assessing my earnings and allocating them appropriately. Even more important, I can quickly prioritize when spending can or should happen and when it needs to wait. “Where did the money go?” is never a question I have to ask myself, and that feels really good. Even though budgeting is sometimes a challenge and requires delaying instant gratification and many sacrifices at times, I think it's worth it to know that I've minimized the “surprise” element of my finances.”

Austin—

“Being a 21 year old guy with a bunch of twenty-something friends, I hear plenty of complaints from my friends about how they are broke all the time. It seems as though they all get their checks, look at the money they've got, and say “Oh my gosh! I can afford this \$250 item, because that's how much my check was!” They then spend it all and proceed to complain about not having money for gas, food, or even going out to a movie or something similar. I am proud to say, with honesty, that I have absolutely never had this problem. I believe, because of my parents helping me from an early age understand how to make my money last an allotted time has a lot to do with that. Today, I feel like saving money, and not “impulse buying” (too much!) is not something I have to think about at all. It comes naturally to me, to save money, and always have enough for my bills, and other expenses. I think the importance of teaching your child to live within their means is bigger than most could probably imagine. Though frustrating at the time, I am grateful that my parents took the time to teach me good budgeting.”



BUDGETING PROJECT FOR CHILDREN

WHY?

TO TEACH MONEY MANAGEMENT
&
TO TEACH GIVING AND SAVING
for a lifetime!



**I'm happy to chat with you about budgeting ideas for your child(ren).
Feel free to email me at: cheryl.r.russell@gmail.com or call 810-650-0986.
Sincerely, Cheryl R. Russell**

Prepared by:
Cheryl R. Russell

For the Younger Child

Not to be determined by age; maturity and interest level should be considered instead.
You know your child!

MONEY MANAGEMENT PROCEDURE:

Determine the spending categories that the particular child would have the opportunity to use money and also the areas that you're willing to release to him or her. For example, My son's areas of spending at twelve years of age included the following:

- ◇ Sunday School offering
- ◇ Giving (to a place of his choice)
- ◇ Gifts to Family Members
- ◇ Clothing (in his case, limited to jeans, shirts and shorts – I bought other necessities which I thought he should have)
- ◇ Drum lessons and associated music
- ◇ Golf and BMX
- ◇ Allowance (extra things he wanted)
- ◇ Activities with friends

For the first year, develop a “best guess” as to how much he/she may spend on those items in one full year. It's really not that hard to do and can be adjusted the following year. Include your child in that future discussion too. It helps them learn that sometimes we can under or overestimate on things (after all, don't we all?). Remember: This is not about “perfection” in handling money, rather an exercise is learning to manage money, give, and save.

Provide a year's worth of “play money” (found in most toy stores) that equals the total amount chosen for each area of spending and separate it into envelopes marked with each area of spending (with your child's help). For example, our “Clothing” envelope had \$175 of play money in it for that year for my son. Ask the child to determine a place to manage these envelopes in their own private space (i.e. bedroom or personal study area).

As the child needs or wants to spend their money throughout the year, they will bring the “play money” to you in exchange for actual dollars when they want to spend it. Be disciplined yourself to always have the money on hand when the child needs or wants to spend it. This part is rather important and causes more work for you but, in the long run...IT'S WORTH IT!

Throughout the year, the magic will happen...You'll observe your child thinking through their expenses and avoiding dangerous “impulsive” spending habits that plague many of us all of our lives. If you have multiple children, they may help each other out. You may hear conversations of encouragement or discouragement with their spending choices. Your only job now is to make certain that you follow through with the plan. This means that under no circumstances do you give in and give your child more money than was already allotted for their listed expenses. If you do this, all the other work in setting this up is for naught (no kidding!).

GIVING AND SAVINGS PROCEDURE:

To round out the exercise, we included a segment on how to manage the money they earned themselves (i.e. paper delivery job, lawn mowing, babysitting, pet sitting, etc.). We would require that 10% of that income be put toward giving (of their choice), 10% toward long-term savings and 80% for their choice (a reward for their work!). For example: If \$100 were made on a paper route, \$10 would go toward giving away, \$10 toward long-term savings (in our case, a mutual fund that Grandma had set up for them) and \$80 toward their personal choice. If your child does have a means of personal income, you may want to consider this addition because good old-fashioned work should have its sharing options and spending choices too!

For the Older Child

Again, not to be determined by age; maturity and interest level should be considered instead. You know your child!
This plan is much the same as the younger child with some more sophisticated options (i.e. – no more play money!).

MONEY MANAGEMENT PROCEDURE:

Determine the spending categories that the particular child would have the opportunity to use money and also the areas that you're willing to release to him or her. For example: My daughter's areas of spending at fifteen years of age included the following:

- ◇ Sunday School offering
- ◇ Giving (she had already chosen to support a child with Compassion International)
- ◇ Gifts to Others (Friends) – Her gifts to family were taken from her own earnings at this point
- ◇ Clothing (at this age, she was given the responsibility of choosing *all* of her clothing expenses)
- ◇ French Horn lessons, singing lessons and associated music
- ◇ Horseback Riding
- ◇ Allowance (extra things she wanted)
- ◇ Activities (small outings with friends)

SAME AS 'YOUNGER CHILD': For the first year, develop a “best guess” as to how much he/she may spend on those items in one full year. It's really not that hard to do and can be adjusted the following year. Include your child in that future discussion too. It helps them learn that sometimes we can under or overestimate on things (after all, don't we all?). Remember: This is not about “perfection” in handling money, rather an exercise is learning to manage money, give, and save.

Provide a year's worth of REAL MONEY that equals the total amount chosen for each area of spending and deposit it into a checking or savings account that you have opened with your child. Then, teach this older child how checking and savings accounts operate. Include explanations about interest earnings, how they can access the money they need when they need it, etc. Develop a yearly ledger for them to keep track of where they are spending their money with the categories they are spending it from.

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A few memories from this whole experience –

When our children were smaller and sometime prior to the detailed system (as outlined here), I recall a ‘simpler’ version over an outing which, looking back, may have spawned this whole thing off! Our Midwestern family ventured out east one summer on a vacation to Nantucket Island planning to visit various places along the way to eventually drive back around to our last stop: SeaWorld in Ohio. Before our departure, we had given each child \$20 to spend on “souvenirs”. There would be no whining or crying for things they wanted at the gift shops. They had their money and they could choose how to spend it. Our daughter – maybe age eight at that time – was bent and determined to be sure to buy herself a stuffed “Shamu” whale at SeaWorld. She also thought her younger brother of five should have one too. We watched as she admired various things along the way but wanted to be sure to have enough money left for Shamu – only available at the last stop of the trip. I can remember her observing her brother spend a bit here and there along the way wondering (and worrying a bit for him too) that he may not have enough left in the end for Shamu. But she held on to her own funds to be absolutely sure she would get what she wanted. This was very telling of their unique and special personalities. Even to this day, our adult daughter is especially conscious and careful with her spending and saving while our adult son, although very conscious and self-sufficient as well, tends to be a bit more relaxed in his spending habits. And, in case you're wondering - in the end, they both had enough to buy Shamus. It was a happy day! In fact, our daughter may have come home with some spare change to boot!

On another note: How often do you hear the constant complaints of fellow parents agonizing over their children's demands of needing more and more money to do or buy things they want? We did. The teenage years, in particular, seemed to be riddled with unrest and even resentment sometimes in families over this. “Money doesn't grow on trees!” parents would exclaim to their young ones. I must say that our family was void of this uncomfortable matter because of this system. The children had their money to spend and that's it! The older they got, the more we entrusted to them. It was a smooth transition toward adulthood. Today they are both very financially comfortable and independently thriving in their chosen ways using money as a tool with no unexpected surprises. Please enjoy their testimonials on the next panel...