

Teaching children about money at different ages and stages

A practical guide to developing a **financially responsible family**



Where to begin?

Many people fear that giving children too much information about money too early on will encourage entitlement and deplete drive. Children will eventually need this information, but when and where to begin?

Family wealth education begins with parents being clear about their own money values, current financial situation, and hopes for the future. If you are co-parenting, try to get on the same page, when possible, to avoid sending mixed messages. Thinking about your own feelings, experiences and behaviors related to money, and then modeling your priorities, can help you be deliberate with the lessons you teach your children.

As you begin to articulate your values around money and wealth, decide what you would like to pass on to your children, and what no longer serves you.

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General guidelines

When children first learn to walk, parents often want to prevent them from falling, but too much oversight can inhibit their progression. This also applies to children learning about money; they need a safe environment to make mistakes and build their knowledge.

Successful teaching techniques include:

- Guide and supervise, don't direct and dictate
- Compliment good behaviors, and use mistakes as a learning opportunity
- Be consistent, fair and willing to listen
- Model the behaviors you want to see
- Meet regularly to discuss these topics

Useful resources:

[UBS Money Talk Toolkit](#) – consists of four sets of cards with questions that invite reflection and sharing; use the “Early Experiences” and “Influences” decks to think about your own experiences with money and wealth.



Ask your [UBS Financial Advisor](#) about this toolkit and any other pieces referenced in this article.

Age-specific guidance

Raising children is an art, not a science, and only you know best how to approach these conversations based on your children's ages, personalities and levels of maturity. Do not be discouraged if you haven't started. Much of the guidance below applies across age categories. In terms of the content itself, focus on what resonates most with you and your family.



Starting early:

Ages 3 to 5

It is never too early to start teaching children about money. Young children absorb everything you say and do, so be deliberate about how you talk about and interact with money in front of them.

Decide in advance how you will handle purchases, from the small ask for a candy bar at the check-out line to the bigger requests for birthday and holiday gifts.

- Begin to involve them in the decision-making process by explaining why you are, or are not, making a purchase. At the grocery store, observe, "Wow! Two small clamshells of raspberries cost the same as one watermelon. Which do you think gives us more fruit for the money?"
- Introduce an allowance to help children at this age learn the concept of basic money management. When setting the amount, a good rule of thumb for young children is a dollar per year of age.
- Use the [UBS My Money Book](#) toolkit to introduce the three important budgeting categories of "Spend," "Save" and "Give." The corresponding stickers can be used on clear containers to create money jars so that your children can visualize their money, which helps in their learning.



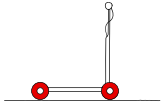
Elementary school:

Ages 6 to 10

Studies have shown that, by first grade, children can rank their classmates and peers in wealth based on the houses they live in and the cars their parents drive. Even if you are not talking to your kids about money, they are perceptive and picking up cues.

As you continue to build upon earlier lessons, consider incorporating digital tools to reinforce your teachings.

- The [UBS Financial Education Program](#) provides interactive, online financial education modules for all ages, from elementary school to college and beyond. Topics include everything from budgeting to credit to investing basics.
- Designate "Money Monday" dinners as the time you discuss what they have learned from the modules. You can expand these conversations to include other financial decisions your family is making either individually or collectively.
- Consider adding an investing component by purchasing a stock in their name in the company that makes their favorite toy or game as a gift for birthdays or holidays; explain what a stock is and track its pricing together to expose them to investing terminology.
- Further highlight the concept of charitable giving by taking them shopping with the funds from their "Give" jar to purchase food or toys to donate. For younger children, it's easier to understand and relate to giving a tangible item rather than money.



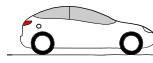
Middle school to early high school:

Ages 11 to 14

If you haven't given an allowance yet, now would be a great time to do so. Tweens and teens are increasingly more independent with evolving wants, needs and opinions—so it is really important to think through the purpose and parameters of an allowance.

Consider what items your child should be responsible for and then back into the weekly number. Revisit this number each year and invite your children to negotiate with you. This is great training for their future careers.

- Determine whether allowance is earned, given as a share in the family's wealth or a combination of the two.
 - While in theory it might make sense to equate chores with allowance, this can backfire because you are giving your kids a choice to partake in household duties. Those not motivated by money or busy with other things may choose not to do their chores and forego the money.
 - Consider a "middle-ground" option of setting a base-line allowance, similar to chores that need to be done because your child is part of the family. Kids receive a weekly allowance of \$X with opportunities to earn extra money (e.g., yard work, shoveling a neighbor's driveway, babysitting for siblings or helping you with a project).
- Introduce lessons in borrowing if they really want to purchase or do something and they haven't saved enough.
- Discuss as a family expectations for financial gifts kids receive and the money they earn. Do they get to spend it how they wish or do they need to allocate portions to the "Save" and/or "Give" categories?



Late high school:

Ages 15 to 18

Keep the lines of communication open, as they will be on their own soon and you will want them to come to you or another trusted adult when they need guidance around money.

- Get kids involved in larger costs by deciding if they will pay for a portion of their expenses from their allowance or a part-time job.
 - Items could include cell phones, cars and all that comes with them (gas, insurance, etc.) and other "non-essential" items.
- Build on the "Give" category by:
 - Involving them in a family foundation or donor advised fund (DAF)
 - Considering a "giving certificate" from your DAF so they can donate money to organizations that resonate with them
 - Offering matching dollars for volunteer hours or money they give personally
- Ask your UBS Financial Advisor for additional ideas on involving children in family giving, including the article, [Building a strong family foundation](#).
- Start talking about college if that is in your child's future. How will you pay for it as a family? Where do they want to go?
 - If the cost of college is less of a concern for your family, it's still important to explain student loans, 529 plans and other ways children pay for college. This reinforces empathy for what their peers are going through and what they may be experiencing some day with their own children.
 - The [UBS Financial Education](#) modules provide important guidance on this.



Young adult:

Ages 19+

As your children transition into young adulthood, you can still support them in developing healthy money management habits as they aim for financial independence.

Encourage children at this age to open checking accounts in their own names. This is a great place to deposit pay checks from summer jobs, and can be used for expenses at school and other wants and needs.

- Agree on what (if anything) you will provide each month in terms of spending money, and consider transferring that amount into the checking account each month.
 - Make sure your young adult has the right digital tools in place to easily monitor the balance.
 - Debit cards are a great option as your child can't over-spend.
 - Use of credit cards, with your guidance, can help your child establish and build a good credit score.
- Introduce your children to your UBS Financial Advisor if you haven't already done so. Savings accounts can be converted to investment accounts and it can be fun for your child to discuss their investment options and ideas.
- If you've been making annual exclusion gifts to your children, begin to do so with greater intention by presenting the money during a conversation at the beginning of the year.
 - Share your hopes for the use of these funds and be open to hearing how they choose to spend it.
 - The article [Giving wisely](#) has a lot of helpful suggestions for how to handle this.
- Consider holding annual family meetings to reinforce your family's money values and learn about the ones your young adults have developed on their own.
 - Begin to paint the broader picture of your family's financial situation, which could include structures such as trusts. Explain your priorities for these entities and the family wealth in general.
 - For example, you may be willing to help out with higher education, a business venture or housing, but are not willing to offer an ongoing subsidy.
 - Think through your goals and boundaries with your partner or co-parent before discussing them in a broader setting.
- Continue to encourage your children to create their own budgets, wills and financial plans as appropriate.

Be realistic

When taking on the challenge of teaching children about money, the bottom line is to remain patient with yourself and be realistic. Teaching children about money and wealth is complex, and there is no one right way to do it. Start with your values and move forward from there. Once you get past the basics of budgets and investments, think about what truly matters most to you:

- Is it gratitude for what you have? If so, emphasize service, empathy and giving to others in need.
- Is it saving wisely for the future? If so, offer to match whatever your children put in their "Save" jar or savings account until they reach a certain age. Then, together, come up with an investment plan for those funds.
- Is it self-sufficiency and resilience? If so, ask trusted friends to spend a few hours with your children each year to discuss their careers and the journeys they took to success, including the bumps and bruises along the way.

It takes a village – so use yours, have fun and don't stop learning yourself.

To learn more

For additional information and any questions you may have, please reach out to your UBS Financial Advisor and visit ubs.com/privatewealth

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