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3 Important Money Lessons Kids Under 5 Should Know



By Deborah Skolnik

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Want your kids to grow up to be financially responsible adults? What they learn about money while they're still young—even as early as today—can have a big influence on how they handle it in the future.

That's right: As soon as your little ones can walk and talk, they're old enough to begin mastering some basics. We asked experts what three key financial tasks kids under 5 years of age can handle. Here's what they told us, along with some tips for you to help them get started.



1. Earn Money for Work

OK, maybe your child isn't ready to run a Fortune 500 company—yet. "But even at 3 years of age, you can have your children do a few basic chores around the home for pay," says Danny Kofke, author of ["A Bright Financial Future: Teaching Kids About Money Pre-K Through College for Life-Long Success!"](#) While he believes that all children should do some household tasks just because they're part of the family, it's also wise to pay for other chores, to begin demonstrating the relationship between work and wages, he says. "You can have your kids straighten up their rooms or put away their toys in exchange for a set amount of money," he recommends. They can also help set or clear the table (as long as you give them nonbreakable glasses and knives without sharp edges).

And if you have a job, explain to your kids that you, too, receive pay for it, adds Melanie Hasty-Grant, a financial adviser, family therapist and co-founder of Waterstone Private Wealth Management who runs a financial summer camp for children. "Make a list together of other things that people might do for money, so your kids begin to understand that that are many ways to earn wages," she says.

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2. Learn How to Budget and Spend Their Earnings

"As soon as my children began getting money for certain chores, we set up three empty coffee-creamer jars for each of them," says Kofke. "One jar is for spending money, one is for saving, and one is for money to be given away." He would help his kids earmark about 10% of their earnings for charity, 25% for savings, and then allocate the remaining 65% for spending on fun stuff. "This method came in handy, because by the time they were 3 and 4 years old my kids were already seeing toys and other things on commercials, and wanting to buy them," he says. "We would talk about how much things cost, and if they wanted an item, we could count out the money in their spending jar to see if they had enough. If not, they knew they weren't ready to buy the item yet."

When the giveaway jars would grow full, he adds, his children would find creative ways to use the funds for the good of someone else. "They bought canned food for a food drive at church," he explains, "and one time they bought a stuffed animal for another child whose father had died." These simple acts drove home some important lessons, Kofke says: "My kids came to see that you don't need to have huge amounts of money in order to help others. They also began to realize that even though we don't have a lot, there is always someone who has less and could use our help."

3. Understand the Difference Between Small- and Big-Ticket Items

At Hasty-Grant's financial camp, she strives to teach even the youngest children that some things cost more money to buy than others. "We will line up about six different toys against a wall, and have the kids look them over," she explains. "Some of the toys might be small, and then we'll have a couple of larger, fancier ones, such as a bicycle."

She'll then ask the children which ones they think have the largest price tag. Generally, they'll guess correctly, she says (if not, she can help). It's an easy enough exercise to do in your home—you may also want to expand the conversation, talking about why a bike might cost less than, say, a car or even a house. If you've also been teaching your little ones the link between work and money, they'll start to see why adults so often have and need jobs, and that it takes time, work, and patience to buy big things.



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