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According to a report issued this year by T. Rowe Price, only about one in five kids ages 8 to 14 say they feel knowledgeable about credit and student loan debt and less than half say their parents are doing very or extremely well teaching them about money and finances. While in-school games and instruction that focus on finances—like the Stock Market Game, created by the Maryland Council on Economic Education—can be helpful, experts say parents also need to think in terms of actively teaching financial literacy and responsibility at home. By Kit Waskom Pollard Page 16

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Show Them the Money!
Talking to Your Kids about Finances

By Kit Waskom Pollard

The Maryland Board of Education requires personal finance to be included in the school curriculum starting at grade three; professional experts, however, say they believe basic financial concepts may—and should—be taught in school and at home as early as kindergarten.

For Stars Kaminski, playing the stock market is a blast, a research, the watching, the buying and selling—he loves it all. But Stars is no wolf of Wall Street. He's a sixth-grader. Last school year, as a fifth grader at Cromwell Valley Elementary School in Towson, Stars participated in the Stock Market Game, an activity as class project created by the Maryland Council on Economic Education (MCEO), a nonprofit organized based in Towson University that trains teachers and works with public and private schools to promote economic and financial literacy among students through personal finance instruction. In the Stock Market Game, students split off into groups and given $100,000 in theoretical money they can use to "buy" stocks and mutual funds. Over the course of the year, the students regularly check their portfolios, buying or selling stocks based on their own research.

Cromwell Valley Elementary math teacher Flo Pelahiti uses the Stock Market Game as a fun way to introduce her students to how the stock market works and as a springboard for discussions about investing and financial decisions on a whole—from stocks, to mutual funds, to companies. "It is important for children to learn, both in school and at home. The country is in a debt, and it's a dangerous situation," says Pelahiti, who, in conjunction with the Stock Market Game, arranged for a class member’s father who works in finance to visit the class and introduce the kids to the concept of mutual funds. "We've got to start them at a young age, because if we don't, we're not going to break the cycle."

Pelahiti uses several additional tactics to teach students about money, including giving each of them a "salary" based on their classroom job; a "social worker," who is responsible for helping fellow students catch up on classroom work when they are absent. For example, or "an accountant," who handles "payout." Out of their salaries, the students can pay rent and purchase different items. Good behavior can put them in line for raises.

Likewise, the Stock Market Game is just one of MCEO's programs; the goals of this organization, established in 1993, are broad. "We want kids to learn economic decision making," says Alan Cox, managing director of the Maryland Coalition for Financial Literacy, a division of MCEO, and Stock Market Game coordinator. "How to look at costs, benefits, pros and cons, and advantages and disadvantages before making decisions. How to budget, to use financial services, understanding the cost of using an ATM, buying a car, insurance, how to avoid identity theft and fraud. These are all life skills we want teachers to start at the elementary level."

The need for this instruction certainly seems to be there. According to a recent report issued this year by J. Rowe Price, a global investment management firm based in Baltimore, only about one in five kids aged 8 to 14 says they feel knowledgeable about credit and student loans debt and less than half say their parents are doing very or extremely well teaching them about money and finances.

Parental Finance Guidance

In school games and instruction can be helpful, but parents also need to think in terms of consciously teaching financial literacy and responsibility at home, says experts. Why consciously? Because even if parents aren't aware that they're instructing their children, their kids are picking up the financial lessons they're sending—both good and bad. "Kids are observing and learning, whether you're talking to them or not," says Stuart Ritter, senior financial planner at T. Rowe Price. "To make sure they're learning the right concepts, in line with the values you want them to learn, it's important that you talk with them regularly about finances."

Initiating these conversations is even more critical today, notes Ritter, as financial decisions tend to be largely "financially-driven."

Here's a way to write a check for a paper delivery. Written a few years ago, this text shows how a family decision can be used to learn about money: "For their birthday, Mike and Dave got their own newspaper business. As they started earning money, they decided how much of their profits to invest in buying new equipment or keeping the money for other needs. This decision to save money or spend money is an option available to all children and adults."

Financial literacy can also be an effective teaching tool. According to T. Rowe Price, 70 percent of parents say they give their kids allowances (a jump from 47 percent in 2013), and half of them report saving their kids some of these allowances. Eighty-five percent of kids who get an allowance are required to earn it in some way.

At their core, financial discussions are not strictly about money, says experts; they are about values. "It's about achieving financial goals we have decided are important to us—whether that's saving for a vacation or buying a car, going to college," says Ritter. "Talk with your child about what's important to them, set those goals down paper and creating a plan to help them make wise savings and spending decisions."

"Ultimately," adds Pain, "what we're talking about is how do we translate our values, period—and our values around spending—to our children.


Research Finds

Nice Kids Finish First

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