

WealthPulse by SmartMoney

Teaching Kids About Money

A parent's guide to raising financially smart kids at every age.

The habits formed before 18 determine adult financial health.

The #1 predictor of adult financial success is the money habits learned before age 18. This guide gives you age-appropriate conversations, activities, and systems — without lecturing.

Ages 3-5: Money is Real

At this age, kids just need to understand money is real, comes from work, and buys things.

■ Play Store

Set up a pretend store at home. Use coins. Let them buy toy items.

■ Name the Coins

Penny, nickel, dime, quarter. Make it a game.

■ The Big Concept

"We trade money for things. Money comes from working hard."

■ Piggy Bank

Give them one. Let them drop coins in. Physical habit formation.

Ages 6-8: Earning and Saving

Children can handle a small allowance, understand saving goals, and start grasping trade-offs.

■ Start an Allowance

\$1 per year of age per week. Tie to contributions, not just mandatory chores.

■ Three-Jar System

60% Spend | 30% Save | 10% Give. Three clear labeled jars. Visual = powerful.

■ Savings Goal

Let them pick a toy they want. Calculate how many weeks to save for it. Celebrate when they buy it.

■ Let Them Waste Money

Let them buy something silly. The lesson from spending \$5 on junk that breaks is worth \$5.

■ Grocery Math

"This one is \$3.99, that one is \$2.49. Which is the better deal and why?"

Ages 9-12: Banking and Delayed Gratification

The golden window for building real habits. Kids can understand accounts, interest, and opportunity cost.

■ Open a Real Savings Account

Take them to the bank and let them open it themselves.

■ Explain Interest

"The bank pays you to keep your money there. It's like renting your money to them."

■ Opportunity Cost

"If you spend \$20 on this game, you can't also buy those shoes. Which matters more?"

■ Clothing Budget

Give a set amount for back-to-school shopping. They decide how to use it.

Ages 13-15: Budgeting and First Income

Teenagers can handle a real monthly budget and understand credit card debt.

■ Monthly Budget

Give a monthly amount for personal expenses. They manage it. They run out, they wait.

■ Teen Checking Account

Debit card, checking account. Teach them to check balances before spending.

■ Explain Credit Card Debt

"Pay it all back monthly and it's free. Don't, and they charge 20%+ interest. Forever."

■ First Job or Hustle

Lawn mowing, babysitting, tutoring, selling online. Earning their own money is transformative.

■ Taxes on First Paycheck

Explain FICA, income tax, and why the check is smaller than expected.

Ages 16-18: Investing and Real Skills

High schoolers can understand markets, compound interest, and begin financial independence.

■ Custodial Roth IRA

Any earned income can be contributed. \$1,000 invested at 16 at 8% return = ~\$21,000 at 65.

■ Index Fund Investing

"S&P; 500 index fund = owning a tiny piece of 500 of America's biggest companies."

■ Compound Interest Visual

\$5,000 at age 16 at 8% = \$160,000 at 65. Same \$5,000 at age 35 = \$40,000 at 65.

■ Honest College Funding Talk

What are they expected to contribute? The earlier this conversation, the better.

■ Build Credit Safely

Add as authorized user on your card. They build history. You keep control.

The Three-Jar System

The single most effective money habit to teach young children. Physical jars beat digital — kids can SEE and FEEL their money.

Jar	Split	Purpose	Key Lesson
SPEND	60%	Day-to-day purchases	Managing a limited resource
SAVE	30%	Specific goals (toys, games)	Delayed gratification
GIVE	10%	Charity, gifts, helping others	Generosity; money as a tool for good

Conversation Starters

After every purchase:

"Was that a need or a want? Are you glad you spent your money on it?"

Weekly check-in:

"How much do you have right now? What are you saving for?"

When they want something expensive:

"How many weeks would you have to save for that yourself? Still want it?"

When you say no:

"We have the money, but I'm choosing not to spend it on that right now. We have other priorities."

Disclaimer: General educational guidance. Every child develops differently. Adapt to your family's values and your child's maturity level.