



## 4 Jar Saving System

Saving doesn't come naturally for many children—especially in today's consumer culture.

Help your kids organize their money by dividing it up and planning for purchases. Consider the 4 Jar Saving System:

### 1. Quick Cash

- Instant gratification
- No critiquing
- Empowers children to make their own choices

### 2. Medium Term Savings

- Larger purchases
- Deferred gratification
- Provide guidance
- What could you buy if you saved for 2 weeks?
- Chose a realistic goal

### 3. Long Term Savings

- Yes, your 4-year-old should start saving for college
- This is all about habit building and routine
- Consider investing

### 4. Charity

- Teaches about the broader community
- Don't expect your kids to give, if you don't yourself

### Matching Contributions

- When you want to encourage a goal
- Match like a 401(k)

## Raising Moneywise Kids

### The Problem

If you're not preparing your kids for the real world and demonstrating good money behavior, you're doing them a disservice.

### Reality-Check

While many parents are just trying to "protect" their kids, they are in fact creating unrealistic expectations for how the real world works. Money lessons need to start young and should be reinforced throughout childhood.

### The Solution

There are many ways to approach raising moneywise kids, but most programs share two key elements:

1. **Ownership:** Kids need to have money to learn about money. Make sure your children have some amount of money that is their's to do with as they please. Money is about choices and the consequences of those choices.
2. **Accountability:** Don't bail your kids out when they have a tough goal or make a mistake. To do so cheats the process and cheats your kids out of important lessons.

## Money By Age

### **Under age 4**

Practice counting with real or play money (avoid coins for the littlest ones).

### **Age 5 to 8**

Open a savings account. Consider a Home Bank. Work on choice and elimination. Go to Target and give your child \$5. Tell them to decide what they want to buy and tell you why.

### **Ages 9 to 12**

Have your child use part of their allowance to buy small gifts for birthdays or holidays. Let your child sit with you while you pay the household bills, so they can see what it costs to run the household. Introduce your child to investing basics.

### **Ages 13 and up**

Make your kids accountable for managing their own finances. Figure out how much they need for their activities and put them in charge of it. Consider a Roth IRA if they have income.

### Allowances

- Start young age 4-6
- Adjust as they grow
- Put kids in charge of money you're spending anyway e.g., lunches, sports equipment.

### How much allowance?

- Decide what it covers
- Make a list
- Attach prices
- Add it up
- Review everything with your kids
- Repeat and adjust annually

### Best Practices

- Kids need their own money
- Divide it up—see the 4 jar system
- Let kids make mistakes
- Don't criticize
- Teach value
- Make it real
- Use age appropriate goals
- Talk about money
- Teach where money comes from—work

### Web Resources

- [jumpstart.org](http://jumpstart.org)
- [younginvestors.com](http://younginvestors.com)
- [extension.umn.edu](http://extension.umn.edu)
- [learntosave.com](http://learntosave.com)
- [usmint.gov/kids](http://usmint.gov/kids)
- [curriculum.financialeducation.citigroup.com](http://curriculum.financialeducation.citigroup.com)

**Kevin R. Sale, ChFC, CFP®**

Tel: 651-373-9499 | Fax: 866-291-7529 | E-mail: [KevinSale@SailorFinancial.com](mailto:KevinSale@SailorFinancial.com) | Web: [www.SailorFinancial.com](http://www.SailorFinancial.com)

7900 International Drive, Ste. 200, Bloomington, MN 55425

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