

Dollars & Sense *for* Kids

What they need to know about
money—and how to tell them

JANET BODNAR

Senior Editor, *Kiplinger's Personal Finance Magazine*

KIPLINGER BOOKS, Washington, D.C.

Acknowledgments

When I first started writing about kids and money nearly 10 years ago, I knew a fair amount about money but I was still learning about kids. Since then my children have taught me a lot, and in this book they have pride of place.

First and foremost then, I'd like to thank John, Claire and Peter, my long-suffering money-smart kids, for giving me the best financial advice and letting me share it with the world.

I'd also like to thank:

My husband John, for cooking me a spaghetti dinner tonight;

My parents, Renie and Ed Bodnar, for never having any doubts that this book would get done;

My sister, Priscilla Jackman, for always getting me over the rough spots;

The parents, students and teachers of St. Camillus School, especially Glen Mayers;

All the family members, friends, co-workers, casual acquaintances and Dr. Tightwad correspondents whose anecdotes enliven these pages;

David Harrison of Kiplinger Books, who always knows what to say and how to say it;

Christy Pulfrey, Cindy Greene and Allison Leopold for keeping me honest in getting the facts straight and the words spelled right;

Heather Waugh, Dan Kohan, Cynthia Currie and the other members of the Kiplinger art department for putting it all together so beautifully;

And Jennifer Robinson. There never was a better editor or friend.

Contents

INTRODUCTION	ix
QUIZ: Test Your Money Smarts	I
CHAPTER 1: The Perils of Being Dr. Tightwad	7
CHAPTER 2: A Kid's-Eye View of Money	17
CHAPTER 3: The Adman Cometh	25
CHAPTER 4: The Apple Doesn't Fall Far from the Tree	39
CHAPTER 5: Small Change: The Preschool Years	61
CHAPTER 6: Surviving with 'Tweens	71
CHAPTER 7: Why Is Money Green?	91
CHAPTER 8: Allowances: A Hands-On Experience	103
CHAPTER 9: Penny Wise: Kids & Saving	131
CHAPTER 10: Your Kid, the Investment Guru	145
CHAPTER 11: Of Lawnmowing & Milkshake Stands	177
CHAPTER 12: Teens: The Early Years	201

CHAPTER 13: To Work or Not to Work?.....	225
CHAPTER 14: Off to College & On Their Own (Sort of)	243
CHAPTER 15: Giving & Getting with Grace & Gratitude.....	255
CHAPTER 16: Girl Scout Cookies & Other Sticky Situations ...	273
CHAPTER 17: Money-Smart Grandparents.....	287
CHAPTER 18: Dr. Tightwad's Final Rx	299
INDEX	301

Introduction

In all of history, no children have had more money of their own, more pressure to spend it, and less guidance in how to do it than the kids of America at the dawn of the 21st century.

“Today, more than ever, children must learn about money, for it is both a source of confusion and an indispensable tool they must learn to use.” Those words made a lot of sense back in 1950, in a *Kiplinger’s* magazine article entitled “Will Your Child Know the Value of a Dollar?” And they’re even more true today.

Decades ago, it was a lot easier to raise children as responsible money managers. When young people worked for pay, they typically contributed most of their earnings to the family kitty, to help make ends meet. Consumer credit was not widely available, so people saved up for major purchases. Before TV, kids could covet only what they saw at their friends’ homes or in a magazine.

Today money is more abstract—plastic credit cards, electronic transfers, cash spewing from an ATM slot. Many teens work not to help support their family or save for college, but purely to fund their own discretionary purchases. Some develop an appetite for clothes, entertainment and consumer goods that they will have difficulty affording when, as young householders, they will have to pay for their own rent, food, car, insurance and other basics of life.

The challenge for parents today is to teach restraint and responsibility in a society that doesn’t put much value on those traits. This new book, Janet Bodnar’s *Dollars & Sense for Kids*, can be a big help.

As the mother of three, Janet has lots of experience

in handling real-life money issues. Under the nom de plume of Dr. Tightwad, she began writing kids 'n' money advice in 1992, in the pages of *Kiplinger's Personal Finance Magazine*, of which she is senior editor. There followed a best-selling book, *Money-Smart Kids (And Parents, Too!)*, a newspaper column syndicated by The New York Times Syndicate, and countless appearances on national TV and radio programs. In a few short years, Janet has become the Dr. Spock of money-smart childrearing.

Her new book offers astute, practical advice for parents of children ranging in age from preschool through college: Advice on allowances and family chores. Advice on teen employment. Ideas on how kids can get started as savvy savers and stock market investors. Tips, too, on how parents and grandparents should make gifts to their young ones.

In all of this good counsel, one theme keeps recurring: the importance of communication. Effective parents include the kids in discussions and solicit their ideas, even though the parents make the final decision. And they try to set a good example in their own money management, because children learn more from our deeds than our words.

If all goes well, your kids will grow up with a healthy attitude toward money and the ability to manage it. They will become fulfilled, competent and financially secure young adults. And they won't land back on your doorstep after you thought the nest was empty.

A handwritten signature in black ink that reads "Knight Kiplinger". The signature is written in a cursive, flowing style with a large initial 'K'.

KNIGHT A. KIPLINGER

Editor, *The Kiplinger Letters*

Editor in Chief, *Kiplinger's Personal Finance Magazine*