

Six Financial Literacy Skills Kids Need To Know

How to manage a cash allowance Give your kids a specific allowance, and let them decide how to spend real money. It's very concrete. Plastic is not real to them.

How to manage a checking account and an ATM or debit card Set up a checking account for your teens before they go to college, preferably when they start a part-time job. They will have a place to deposit paychecks, keep records, and they'll learn how to manage an account.

How to save for a goal/"Saving Makes Us Wait" This is a lesson in delayed gratification. Kids have to decide how much they will spend for a desired item, consider how to get the money to pay for it, and calculate how long it will take to get the money. When kids pay for their own possessions, they are more likely to take care of and value them.

How to figure the time value of money Compute how long it would take to be a millionaire or to save up for a new bike. Herein lies the beauty of compounded interest.

How to get out of debt (or not get into it) Here is an eye-opening exercise to help kids learn about the pitfalls of credit: If you pay \$50 a month toward a \$2000 credit card balance at 18% interest, it will take 62 months and cost an additional \$1,077 in interest to pay it off.

How to compare prices Show your kids unit pricing at the supermarket, do blind taste tests comparing cheaper items with name brands, compare items from popular to less expensive labels.

Excerpted in part from Pittsburgh Magazine, April 2006 and Raising Money Smart Kids by Janet Bodnar