



Prudential Investment Managers

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5 Money Lessons Every Kid Should Learn

One of the best ways to provide your child with a bright future is to help them master basic money management skills. These five simple (but powerful) lessons will set them on the track to smart spending, goal-based saving, and all-round wealth.

It's fun being a kid. Toys are cheap, your parents are rich and money grows on trees! Except they aren't, and it doesn't... and those are tough lessons to learn. Help prepare your children for a lifetime of wise wealth management, by teaching them the realities of saving, investing and budgeting.

LESSON 1: WAIT

Sometimes the simplest lessons are also the hardest to learn. In this age of instant gratification, there's an almost forgotten power behind the idea of waiting for a delayed payoff, or of trading your current happiness for your future self's benefit. This lesson applies to spending (especially when it comes to impulse shopping) as much as it does to investing. Teaching your child the quiet satisfaction of delayed gratification will go a long way to saving them from the 'buy now, pay later' mentality that could land them in expensive credit card debt when they're older.

LESSON 2: MAKE A WISH LIST

For a lesson in the power of patience, help you child draw up a wish list of the things they want. This will give them a goal to focus on,

and will help them resist spending their money on easy distractions. If you're out shopping and your child sees something new and exciting, remind them about their wish list – and, if needs be, suggest they add that new toy to the list. Older kids, who tend to have loftier – and more expensive – goals, will benefit from seeing the numbers behind this lesson in action. Introduce them to our online [Goal Calculator](#), and show them how long they'll need to save for that scooter or laptop. Then help them devise a strategy for reaching that goal.

LESSON 3: KEEP TRACK OF YOUR MONEY

Budgeting – that is, knowing how to create and stick to a budget – is one of the most important money lessons any child of any age will learn. Help your child draw up a running list of income and expenses, so that they can see how much is coming in, how much is going out, and where it's all going. Of course, the best way to teach them how to manage money is to give them some to manage! They'll soon learn that overspending has its consequences, and – most importantly – that money is finite. If they only ever see you making purchases with a credit card, they'll never appreciate that there's not a limitless supply of cash.

LESSON 4: THERE'S A DIFFERENCE BETWEEN SAVING AND NOT SPENDING

Stashing your money in a piggy bank is good, because it means you're not spending it. But investing it with a financial institution is better, because at least there it has the opportunity to grow. Money grows when it's put to work –especially in an investment like a unit trust.

If you'd prefer to be the bank yourself, try this approach instead: help your child set a savings goal, and when they reach it, crack open the piggy bank, count the money, and reward them by giving them extra pocket money (you can call this their “return”). This will teach them the value of smart spending choices, and the reward of watching their savings grow.

LESSON 5: INVESTING WORKS BEST IF YOU START EARLY

Older kids will appreciate the lesson behind compounding returns, even if they're still trying to wrap their brains around the mathematics behind it! Go to our online [Goal](#)

[Calculator](#) or [Retirement Calculator](#) , and show your child how an investment of just R10 can grow over time. It'll amaze them to realise that you can earn returns on both your savings and the past returns from those savings.

If you've taken out any investments on behalf of your child, keep them updated on how that investment is growing. The idea is not to show them how fabulously rich they are, but rather to demonstrate how, with a bit of patience, a long-term goal, and smart spending and saving habits, their money can grow over the medium- and long term.

Become an investor in under ten minutes by completing an online application into one of our top performing [unit trust](#) or [tax-free](#) funds.