Monetary gifts can help teach youth financial management

Source: Kim Leger, 4-H specialist for youth development

Many youth receive money or gift cards during the holidays. This is a perfect time for parents to teach them about wise financial management.

Teaching youth how to budget their gifts, the differences between their needs and wants, and setting financial goals are the first steps in understanding financial management.

First, establish the differences between needs and wants. For example, food, clothing and shelter are necessities. A new video game is a want.

Gift cards are a great way to explain budgeting, as these all have balances. Ask youth to think about the items they want to purchase using the gift card and the cost of each before they head to the store. Encourage them to only spend the exact amount of the gift card.

Next, have youth brainstorm about short, medium and long-term goals for their money. What are goals that fit into each of the categories? What are their ultimate goals? Would they like to save money for a new gaming system? You can use the acronym SMART to help them learn how to set goals. SMART goals are specific, measurable, attainable, relevant and timed. By practicing SMART, youth can get a clearer picture of things they would like to purchase and what they would like their financial future to look like. You can also use a clear jar to help youth visually see where their money is going. As the jar fills, the youth can see they are getting closer to reaching their goal.

Learning money management skills early in life can set young people up for financial success as adults. Kentucky 4-H has a wide variety of programs and curriculum to teach financial management skills to youth. For more information, contact the 4-H youth development agent at the (COUNTY NAME) office of the University of Kentucky Cooperative Extension Service.

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