

Children, Money and Power

No matter what we say or think to the contrary, money is power. In the financial world money is a medium of exchange, but money is also a measure of value. No one needs to tell children this. They already know.

What children do need to learn is that there are different types of money, each with its own set of unwritten rules. Cash is a simple tool that has no power beyond its face value. A \$10 bill can only purchase \$10 dollars worth of value.

A credit card, in terms of spending, can be compared to a power tool. It can be both convenient and efficient when used carefully, but can create problems when out of control.

Expecting children to learn money management by giving them only cash is like providing one simple tool to do a complex task. Credit card spending, electronic transfers, ATM access, debit cards—these and other forms of spending that haven't been invented yet—are all in the future of today's children. The power tools of money are taking the place of cash.

Managing money is a skill that is developed by practicing with the money tools available. Knowing the cash system helps children understand what makes the other forms of money work. Learning how to use cash and more powerful money tools requires practice and involves making mistakes.

Money management is not about an amount of money, but rather it is the ability to use this money responsibly. The no-cash allowance gives your child a chance to practice in the safe environment of your home where mistakes will be educational.

Tell me and I will forget,

show me and I may remember,

involve me and I will understand.

(Confucius 450 B.C.)