

DEVELOPING PERSONAL FINANCE KNOW-HOW IN OUR KIDS

Parents – what an awesome privilege we as parents have to break the pattern of financial bondage that is “normal” in America, not only by getting ourselves on the road to financial health and responsibility, but in teaching our kids how to work hard, think like an entrepreneur, and become financially savvy from a young age.

Helping parents raise financially wise and entrepreneurial kids is one of the main missions of my business and my life! Why? Because in helping adults for the past 10 years get their own personal finances in order, I’ve seen the devastation that financial bondage and turmoil can create in families. But I’ve also worked with kids 7-18 and have helped set them up for financial health, hope, and freedom as they enter adulthood.

Benefits of Developing Personal Finance Know-How

Parents who help their kids develop personal finance know-how, especially when the money they receive is tied to work, can accomplish the following:

- Squash the feeling of entitlement that many kids get
- Head off having mom & dad be an ATM for the kids
- Encourage living within their means and not going into debt
- Encourage gratitude, generosity, contentment, patience, and good stewardship of all they’ve been blessed with
- Encourage reliability, responsibility, civic-mindedness, showing up on time, doing their best, being thorough, being accountable for their actions
- Encourage not just a tie between work & money but also entrepreneurship and service
- Encourage the understanding of investing and cashflow
- Encourage confidence into adulthood

“We’re not trying to raise good kids. We’re trying to raise kids who become great adults.” Andy Andrews

What We Did to Develop Financial Know-how in our Kids – “Bucket Savings System”

When our kids were 3 and 7 years old, my husband and I joined a parenting book club, where we read one of Dr. Kevin Leman’s parenting books. Amongst other takeaways, we latched onto the concepts of being intentional with chores and paying our children an allowance based on their age per week. Yup! We thought that was a lot of money for a young child, but there was more to it. They didn’t get access to all of the money to do as they pleased; there was structure attached.

Throughout the years, the girls had chores to do, and the allowance they received was kind of like a salary. Their money was broken up into 4 “buckets” (that’s what we called them, but you could use jars, envelopes, shoeboxes, etc... CLEAR is best). We started with cash but then moved to actual bank accounts because managing the cash was a bit cumbersome. Using cash would have been better because of the tactile sense and emotion attached to real money. We however managed all of the money via bank accounts and only used real money when it came time to spend it.

The 4 “buckets” that we used were as follows:

- **GIVING** (10%)
- **SPENDABLE** (40%)



- **COLLEGE SAVINGS** (25%)
- **LONG-TERM/CAR SAVINGS** (25%)

GIVING – this account was used for charitable contributions to church, ministries that the girls were interested in, and for mission trips that they took.

SPENDABLE - this account was to be used for things that Mom & Dad wouldn't pay for. The kids learned GREAT lessons in patience, responsibility, opportunity cost, etc... with this account.

COLLEGE - this account was for the 30% that our kids had to pay for their college. At a state school of \$28k a year, that's \$8,400/year for them. Even with this bucket/account, this was quite an undertaking, yet they both still did it and came out of college debt free. Much more to share on this.

LONG-TERM/CAR - this account was for the kids to buy their own car at age 21. We had told them from the beginning that we would match this fund UP TO \$5000 when it came time to purchase their car. So when the oldest turned 21, she made sure her long-term/car savings had at least \$5000, which then meant with our match, she had \$10,000 to spend on a car. She bought a used 2002 Honda Accord and put a little work into it all for under \$6,000. She then continued to use this savings account to help cover auto insurance, maintenance, vehicle taxes...

ENTREPRENEURSHIP

The girls also had their own businesses as they got older, and they continued to split up their earnings into these 4 buckets (bank accounts). They served many people with their gifts during this time. I mentored them on starting their businesses, and one business concept was so good that my younger daughter ran the business (with support from me) every summer for 3 summers from age 14 to 16. Each year, she took on more and more responsibility. There were lots of lessons learned around skills and character development gained with this endeavor and all of the entrepreneurial endeavors.

The confidence, responsibility, reliability, accountability, generosity, and freedom that the girls gained through all of their experiences have manifested into entrepreneurial financially responsible young adults. They are both in their 20s and own their own businesses.

I encourage parents to be intentional about this training with their own kids. By teaching them early, you'll instill good financial and entrepreneurial habits that they'll take with them into life so they can avoid the financial pitfalls that so many face.

- Feel free to connect at www.katalytic.net for a complimentary 30 minute coaching conversation to discuss the information above or to discuss your own personal finance situation and future goals.
- My FREE Facebook Group called "[Katalytic Kids](#)" encourages Financial Literacy, Strong Work Ethic, Confidence, and Godly Character.
- My Mastermind mini-course leads you through the steps to implement your "Bucket Savings System" for your own children/family.