Teaching children how to manage money

Teaching children smart money habits when they’re young helps them develop lifelong skills for handling money responsibly. Consider these tips.

Teach money and savings concepts early. Introducing your children to the responsible use of money can start as early as preschool. A very young child can learn to put coins in a piggy bank.

Start an allowance. When kids are a bit older, set up a small payment for their regular help with a specific chore or a list of chores. They’ll begin to associate money with effort.

Reward children for saving. If they’ve reached a money-saving goal within a certain timeframe, enthusiastically recognize their achievement.

Help teens become money-savvy. Teach them how to use and keep track of a bank account, how to handle credit cards responsibly, and how to avoid debt.

Log on and learn! Look for Money Habits on the Magellan member website under the Library/In the Spotlight section. There you’ll see tools that can help you on your way to a sound financial future.

Employee Assistance Program
1-800-327-2513
Manage your spending with a budget

A great way to get a handle on your finances is to develop a budget. A basic budget can help you make more informed choices about where your money goes. The following elements can be part of your budgeting, whether you use pencil and paper, spreadsheet or smartphone app.

**Income**
Total your average monthly income. This can include regular wages, plus any side income, interest, child support, etc. If you share finances with a partner, include that income.

**Expenses**
Start tracking every one of your expenses over the month. Total your fixed bills such as rent or mortgage, credit card and car payments, and insurance. Also record variable expenses like food, clothing, cellphone and other utilities, gas, car registration and entertainment. Figure a monthly average. (For annual expenses like car registration, divide by 12.)

**The bottom line**
Subtract your average expenses from your monthly income and you will have a budget starting point. If the sum is below zero, it may be time to reduce spending.

**Addressing a shortfall**
Consider cutting back on discretionary spending like dining out, cable TV or other entertainment costs. If making subtle cuts doesn’t help, you might reevaluate larger expenses such as where you live and the car you drive. Increasing your income may also be a consideration, in addition to establishing a debt consolidation plan.

**Savings**
Make your personal savings a top priority. Each month, strive to set aside at least five percent of your net income for savings. This can help you handle unexpected expenses, plus build a healthy retirement fund.

**Ongoing tracking**
Record your expenses each day, and check your budget regularly to keep track of how much closer you are to reaching your financial goals.

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**Tips for building your savings**

**Adopt a saving—not spending—mindset.** When you’re about to buy something, stop and identify your real motivation for doing so. Do you really need it today?

**Set specific goals.** Identify how you’d like to eventually use your savings. Target a savings total and a date for achieving it.

**Pay yourself.** Set aside money to be directed from each paycheck to a savings account. Consider setting up a split direct deposit so the money goes to savings automatically.

**Max out on retirement savings.** Contribute the maximum amount possible per paycheck to your employer’s a 401(k) plan, if available. The employer matching contributions and non-taxed status of these plans are ideal. Individual retirement accounts (IRAs) also offer tax advantages.