TEACHING CHILDREN HOW TO SAVE

The numbers aren't pretty. Americans under the age of 35 actually have a negative savings rate of about 2%. In other words, not only are they not saving, they are spending more than they earn. Why? Certainly the economic woes of recent years and stagnant wages play a part, as does mounting student debt loads. In addition, the financial strains of raising young families no doubt leave little dollars at the end of each month. But, it goes deeper than that. Our culture of spending and immediate gratification doesn't exactly encourage thrift.

The picture does get somewhat better at older ages. Those 35-44 save about 2.6%; ages 45-54 sock away around 5.7%; and the 55+ crowd, seeing retirement looming ever closer, manage to squirrel away 13% of their income.

Still, our lack of savings creates enormous risk and financial hardships on families. One-third of people have absolutely no emergency savings – none. And, the emergency savings for nearly half of Americans would be exhausted within 90 days.

Financial advisors frequently recommend that people should be saving from 10% - 15% of their income each year, yet very few actually do this.

Instead of feverishly stashing away money as your retirement age creeps ever closer, a better plan is to embrace a culture of savings at a young age – admittedly not an easy task in our consumer culture with the latest iPhone advertisement staring you in the face.

The best strategy is to start early with your children or grandchildren. There are many ways to try and teach savings habits to them, but here is a simple method my wife and I used with our own children when they were quite young.

We used several jars and each jar had a label on it. One jar was labeled**"short-term;"** another was **"long-term;"** a third was **"giving;"** and the fourth one was **"unknown" or "emergency."**

Here is how we used them:

Whenever our children received an allowance, earned money for doing chores, or were given some money, we put some of the money into each jar.

The **short-term jar** was for small and fairly immediate expenses. This might be for something such as a movie, a book or money they could spend on an outing. It was their money to spend, but still a future expense.

The **long-term jar** was for items of greater cost and further down the road in time. An example might be a bicycle.

The **giving jar** was our attempt to instill a habit of giving into our children. We wanted them to develop a life-long desire to share their blessings.

The final jar was somewhat undefined, but was for **unknown or emergency**purposes. Again, we wanted our children to recognize the unpredictability of life and events and therefore to have some money on hand for those.

How did it work? Well, not exactly as planned and certainly not perfectly. But, I am pleased today to see our adult children responsibly handling their money, and like to think that little lessons and training such as this contributed to that outcome.

Whatever approach you take, I encourage all parents and grandparents to take an active role in teaching their kids and grandkids about the necessity of budgeting, savings and deferred gratification. Whatever your age, we would all do well to remember Ben Franklin's timeless advice: "Beware of little expenses, a small leak will sink a great ship," and "a penny saved is a penny earned."

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