



Interesting ways to teach your children about money management.

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- With the covid-19 pandemic ravaging the economy, financial planners say even children have started to realize its impact on their parents' incomes.

DSP Investment Managers' president, Kalpen Parekh shared a video last week on Twitter, in which he's seen discussing global companies with his son, Vihaan. This, however, is not the first time when Parekh has taken to interesting ways of talking money with his child. In the past, he's applied some of the rules in cricket to money management in order to impart financial knowledge in his son.

"Education, of any kind, has to create curiosity and be entertaining, especially when dealing with kids. I don't make a conscious attempt to teach my son, as investing is a part of my routine work. However, I do look for moments to ask him a few questions to open his mind towards principles of savings, discipline, the value of money, not over-paying and helping others with money instead of reckless spending," said Parekh.

When Parekh goes for a drive with his son, he asks him about car brands and bank branches.

"I talk about how the most-sold mobile is Xiaomi, yet the most profitable mobile selling company is Apple because of the premium it has built around its brand," he added.

Most schools do not teach money management even though it is a critical life skill.

Shalini Dhawan, co-founder, Plan Ahead Wealth Advisors said teaching this subject has become extremely important now more than ever.

"Without this knowledge, most people even in their adult life find it difficult to adapt and learn personal money management."

With the covid-19 pandemic ravaging the economy, financial planners say even children have started to realize the impact it has had on their parents' incomes.

Rishad Manekia, founder and MD, Kairos Capital Pvt Ltd, a Mumbai-based financial planning firm said children tend to pick up on behaviour changes, and therefore, now could be a great time to teach children the importance of valuing hard-earned money.

We tell you some ways parents can make the process of discussing money fun yet wholesome.

Adopt fun exercises

Children are very observant and tend to emulate their parents. One way to make the subject interesting is by involving them in day-to-day activities such as budgeting for the household. "Involving the child in the family budget-making may be a good place to start. Older children (18+) who may have some background in economics could also be involved in investment avenues analysis and decision making," said Dhawan.

When it comes to curtailing the urge to spend on unnecessary or expensive items, parents could explain the importance of saving for a rainy day and how one can stretch money in order to fulfil more needs.

For instance, if your child demands an expensive phone, you could show her by how much that money would stretch for someone less fortunate.

"Talk about how the same money could pay for the entire education for a less fortunate child. Parents can also give the child a project where they can do some work and raise money to be able to fund a cause that they care about. This would have the dual benefit of teaching a child how hard it is to earn money and also impart in them good values about giving back to the community and helping others," said Manekia.

In order to encourage the habit of saving, you could look at explaining the power of compounding to your child. Financial planners said one way to do this is to open a children's bank account. You can then show the child how the interest on the money compounds over time and how saving more will help the money grow further.

You could also start an SIP (systematic investment plan) in the child's name and show how the value of the investment changes over long periods of time.

"Pick a well-rated mutual fund portfolio and have the child point out, which companies they identify. You can also explain to them how equity is about owning parts of these businesses," said Manekia.

Parekh said he likes taking his son along for shopping for everyday needs because he's able to teach him bargaining. "I add a new dimension by teaching him not to bargain for pennies as these pennies mean a lot to vegetable sellers, but bargain when we are making big expenses on sports goods or clothes or even buying things that are not necessary," he said.

Mistakes to avoid

Children look up to their parents, so preaching what you don't practice may not help. As a parent, if you are splurging on unnecessary goods or lifestyle expenses, then teaching your child to make a budget and stick to it may not work. It's important to not build a facade, which makes the child feel like you will be able to fulfil all his wants, irrespective of the expense.

"Parents must help children understand what is within their means and not always try to buy something just because someone else has it," said Manekia.

Like Parekh, you too could make financial conversations with our child interesting. Leveraging the internet and the various resources it offers may work well too. You could also have your child take the National Financial Literacy Assessment Test (NFLAT), which is a financial literacy test for children, run by National Centre for Financial Education, a not for profit company promoted by regulatory bodies such as the Reserve Bank of India (RBI), the Securities and Exchange Board of India (Sebi), the Insurance Regulatory and Development Authority (Irdai), and the Pension Fund Regulatory and Development Authority (PFRDA).