



# MONEYWISE

VALUING PEOPLE. VALUING MONEY.

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## THIS MONTH'S TOPIC:

### BANK ACCOUNTS FOR KIDS – LEARNING FINANCE BY DOING

As parents, we discipline children so that they develop self-discipline as adults. Healthy parenting involves setting boundaries and allowing children to make wise choices within those parameters. Whether learning household responsibility through chores or learning to spend money sensibly, we learn best by doing. It is important to provide children with hands-on financial experience so that they can become young adults with stronger personal finance skills.

#### BEGIN WITH BANKING

Begin by introducing your child to the banking system at a young age. Let them go with you to your bank or credit union to cash or deposit a check, for example. Show them different transaction options, from in-branch banking, to drive-through and ATM transactions, to online banking. Explain that banks or credit unions are financial institutions that are regulated by the federal government, which means the money you keep in the bank is insured. If you have separate savings and checking accounts, discuss what it means to earn “interest” on the money you save versus what it means to “debit” or withdraw money from your account for purchases. Having personal finance discussions with your child will help them prepare to manage their own bank accounts someday.



#### SAVINGS ACCOUNTS FOR KIDS

When you feel your child is ready to upgrade their “piggy bank,” help them open a savings account. This can be a good way for children to save money they receive as gifts or allowance. Start by visiting your financial institution to learn what youth accounts they offer. Typically, child savings accounts are opened with the child and parent having joint ownership. This gives the child access to the account while allowing you to monitor it. You will be able to set limitations on the child’s access and privileges. Some financial institutions offer mobile apps to help parents monitor the account while the child practices their money management skills.

Before you open a savings account for your child, find out the interest rate and make sure fees are low. Ideally, the account would not require a minimum balance or carry monthly maintenance fees.



## BEFORE YOU OPEN A SAVINGS ACCOUNT FOR YOUR CHILD, FIND OUT THE INTEREST RATE AND MAKE SURE FEES ARE LOW



Once the account is set up, talk to your child about goal setting and how savings can help them reach those goals. Suggest good financial habits such as saving a portion of allowance money regularly. Review statements together and discuss how compound interest works. (And if you're unsure, schedule a meeting at your local bank to learn together.)

### DEBIT CARDS FOR KIDS

As adolescents mature and demonstrate they can be responsible with money, a next step may be opening a checking account for your child that allows them to use a debit card for purchasing. This can also be done through your financial institution if they offer youth checking options. Be sure your child understands penalties for "overdrafts," or spending more money than what is in the account. Talk with your bank or credit union about what mobile or app features accompany the account.

Another option for child debit cards includes prepaid debit accounts specifically designed for youth, with the parent in control. There are many options, but some examples are Greenlight,

GoHenry, FamZoo, or Current. If you choose a prepaid checking option, it may prevent your child from spending more money than is loaded on the card to avoid overdraft fees.

Youth debit card accounts may come with special features such as automating allowance payments, parental monitoring, spending alerts, and/or limiting how much can be spent and where. Some include youth financial education built into the app. Parental controls, features, and monthly service costs can vary widely, so it is important to comparison shop before deciding. Most of these debit cards charge monthly service fees, and some prepaid cards might also charge reload fees.

### BEING "MONEYWISE"

Whichever account options you choose, talk with your child about the importance of saving and spending wisely. Information is available from University of Kentucky Cooperative Extension Service and from Kentucky Saves. Help your child note their savings goals by taking the Kentucky Saves pledge at <http://www.kentuckysaves.org/>.

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