

CYSEC FINANCIAL EDUCATION GUIDE FOR PARENTS AND CARERS

Parents play a crucial role in the financial education of their children. Childhood and adolescence are key stages for shaping financial behaviours, and parents are the first to provide basic knowledge on money management. They can achieve this by discussing family financial matters, applying simple and enjoyable methods in everyday household activities, and most importantly, by leading through example.

Why Developing Financial Literacy Early is Important

The ultimate goal for parents should be to instil in children from a young age a mindset that values responsible spending, future planning, and generosity. Developing basic financial knowledge early in life is vital. Parents can help children adopt good money management practices that will serve them throughout their lives. Early exposure to financial concepts helps children feel more comfortable and confident in handling money.

The Knowledge of Basic Concepts and the Benefits for Children

By fostering financial literacy early, parents equip their children with essential skills that can contribute to their well-being, financial stability, and independence. Early education helps shape responsible, informed citizens capable of managing their finances wisely.

- Children need to understand and appreciate the value of money, and the effort required to earn it. This understanding encourages responsible spending and helps avoid impulsive financial decisions.
- The ability to evaluate the cost and benefit of a purchase promotes critical thinking and decision-making skills.
- Children should comprehend the importance of living within their means and the risks associated with debt.
- Learning the significance of saving and investing early increases the likelihood of achieving financial security in adulthood.
- Managing their money and saving for a desired item teaches children personal responsibility and the consequences of their financial choices.

- Early financial education prepares children to manage their own finances effectively, contributing to their independence as they grow.
- Children with a solid grasp of basic financial concepts are better equipped to make informed decisions about choosing a university, buying a car, budgeting for daily expenses, and more.
- Strong financial foundations can reduce money-related stress as children grow up, knowing how to manage their finances effectively.
- Financially literate children are more likely to become informed and selective consumers, understanding their rights and making better purchasing decisions.

Ultimately, financially literate children are better prepared and more confident in handling financial challenges such as recessions or unexpected expenses.

A. How You Can Help Your Children

There are many practical and enjoyable ways parents can help their children gain basic money management knowledge and strengthen their financial literacy at home.

1. Discuss Financial Matters

Talk to your children about money. It may sound simple, but it is the most effective way to help them understand personal finances. Explain how you make financial decisions and what the family budget includes.

Tell them where money comes from. Show them your payroll and bank statements and explain what it took to get a job to enhance their understanding of finances. With older children, you can discuss deductions and contributions from gross salary and their purposes.



Introduce the idea of budgeting by dividing their money into categories like savings, spending, and donations. Simple tools like labelled jars for these categories can be effective.

2. Demonstrate Good Financial Behaviour

Children learn a lot by observing. If parents display good financial habits, such as budgeting, saving, and responsible spending, children are more likely to adopt these practices as well.

Share financial decisions with them, such as planning for a vacation or saving for a large purchase. This helps children understand the process and the thought behind money management.

Talk about the family's monthly budget in simple terms. Explain how money is allocated for different expenses, like food, bills, and entertainment. Review utility bills together to show the cost of running a household.

Discuss significant spending decisions, like buying a new computer or home appliance. Making decisions about spending and savings in real-life situations, even for small amounts, helps children better understand how to manage their money.

3. Teach Your Children Basic Financial Concepts

Giving an allowance or paying for chores around the house teaches children the value of money. Encourage them to budget their allowance for savings, expenses, and even donations.



Provide a weekly or monthly allowance, encouraging your child to allocate it between savings, spending, and donating.

Teach them the importance of saving by creating a piggy bank or a savings account. If your child wants an expensive item, discuss the idea of saving for it instead of buying it immediately, making the concept more tangible. Help them create a plan to achieve their goal.

Encourage delayed gratification by making children wait for things they want. This teaches them the importance of saving and making thoughtful financial decisions.



Discuss the importance of saving for long-term goals, like education or buying a car. This helps children understand financial planning and the benefits of long-term savings.

Clarify the difference between needs and wants. Provide examples of essential goods, like food and clothing, compared to non-essential items, like toys. This is a good opportunity to introduce the concept of self-restraint in spending and help children understand that not all desires can be met, especially in challenging times.

4. Incorporate Financial Learning into Daily Life

Take your children to the supermarket and ask them to choose the best value products, adding up costs as you go through the aisles. Give them a small budget to manage or ask them to compare prices between brands. This teaches them the value of money and how to make cost-effective choices.

Play games like Monopoly or The Game of Life with your children, which introduce concepts like profit, spending, and investing. Set up a mock store at home where your children can buy and sell products using fake money. This helps them practice transactions and understand the exchange of money for goods.

Take your children to the bank to deposit their savings or explain how banks and ATMs work. Let them deposit money and watch their savings grow over time. This introduces them to the banking system and the importance of saving in a secure place.



Discuss the difference between wants and needs when your child persistently asks for something. Explain why it is important to prioritize needs over wants.

There are many digital applications designed for children that teach them money management in a fun and interactive way. These apps can introduce them to concepts such as budgeting, saving, and spending in a digital format.

B. Increased Needs and Risks for Teenagers

As children grow, they are required to manage larger amounts of money, face more influences from new environments such as friends, and encounter increased risks, especially online.

You can establish a specific budget together for purchasing clothes and personal items, which you should adhere to strictly. The same can be done for their weekly personal expenses, helping them learn to manage their money responsibly.

Discuss with them the purchase of an expensive item, like a computer. Through this process, teach them the concept of quality in relation to price, and conduct market research together.

Teach your children the proper use of credit cards. Explain the concept of debt and interest, as when they turn 18, they may need to handle such purchases.

Talk about the different payment methods, from cash and traditional debit or credit cards to contactless cards or even their mobile phones. Discuss the advantages and disadvantages of these various payment methods.

Help your children understand the value of work. Encourage them to work a few hours during the summer so they can learn how money is earned and appreciate its value more. You can also offer extra money for their participation in household chores, adjusting the amount based on the nature of the work.

Assign your children the management of a bank account so they can learn to save and set financial goals for the future, while fostering the concepts of giving and generosity. Together with your children, you can make a small donation to someone in need.

Allow your children to observe how you manage the family's finances. Show them how you pay bills online, including school fees, etc. Encourage them to look for deals on products they want to buy online, and to be particularly cautious of potential fraud.



It is important to explain to kids that much of what they see or read on the internet may not be true, but instead part of a well-crafted marketing campaign.

As children grow and spend more time on online games, teach them the value of virtual currencies and how these relate to real money. Explain the importance of making thoughtful decisions when spending in such environments.

Emphasize how important it is to keep their personal information safe and not to share passwords or PINs with others. If they believe or suspect that a password has been stolen or leaked, they should change it immediately.

Use online shopping as a teaching moment to explain concepts such as price comparison, understanding sales tax, and the impact of shipping costs.

As the internet and social networks become primary sources of information and entertainment for older children, it is important to explain to them that much of what they see or read on these platforms may not be true, but instead part of a well-crafted marketing campaign. You can read more about the risks of the internet, social media, and the phenomenon of “finfluencers” in the relevant **CySEC Investor Guide [The dangers of social media: Unveiling the world of finfluencers](#)**.

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