

How to Talk to Your Family about Money and Credit

It's hard to talk to your family about money. Talking about your financial goals means you have to first figure out what they are. Once you've done that, it's hard to talk to your spouse or partner and children about your financial goals because it often means a shared sacrifice – you are asking everyone in the family to get on the same page.

But if you can get your family used to talking about money—understanding the terms and how to set and achieve financial goals—you'll be helping to lay the groundwork for your family's financial success today—and their own financial successes in the future.

But starting the conversation can be tough. Here are some things you might do to change the money conversation in your household:

Tip 1

Schedule some time for the whole family to sit down and talk about credit. This is a time to explain to your kids (and maybe your spouse) how credit works and how it pertains to you. Make sure you have age-appropriate examples so the kids understand borrowing, interest and other credit concepts.

If your 10-year-old daughter wants a new bike, help her figure how long it will take to save her allowance for the purchase. If your 16-year-old son is bugging you for his own car, walk him through the paperwork for your car loan and show him how the payments break down into interest and principal. (And don't forget to tell him how much it will cost to insure the car, maintain it and buy gas for it each week.)

Tip 2

Come up with a list of five to ten financial goals for the family. These can be anything from wanting to buy a new lawnmower to going to Disney World or even paying down a credit card. Start with positive goals (saving for a vacation) rather than negative goals ("I wish you would stop spending so much money.").

Tip 3

Once you have written down all of your financial goals, think about what they actually mean to your family. This discussion might be better for older children, but it can be helpful to start teaching even very young children about what's important.

You don't want to scare kids with statements like, "If we don't save some money, we'll be out on the street," but rather, "If we can pay \$50 less each month in groceries by using coupons, you will be able to do more after-school activities." You should take notes during this discussion. For each goal, talk about the following questions:

- Do we all agree on this goal? If not, how can we compromise?
- When do we want to achieve this goal?
- How are we going to start working on this goal?
- What are some obstacles we need to overcome?

Tip 4

At this point, you should have a good idea of what your financial goals are for your family, and you should all be in agreement. Now, you need to start setting some milestones that will enable you to reach your goals.

For example: if your first goal was to buy a home in the next year, your objectives could be to boost your credit scores above 700 and save \$5,000 for a down payment. Or, if your goal was to save for a family vacation to a water park, set a savings goal and assign everyone a set amount they are responsible for contributing to that overall goal each month. You can even get your younger children involved. Can they contribute a dollar or two from their piggy banks? Can they give back part of their weekly allowance (if they get one)? If your children work, can they contribute some of their paycheck to achieve a family financial goal?

Contributing to the family goal will make your children feel more involved, and they might appreciate those sacrifices and rewards a little bit more.

Tip 5

Now that you have a plan and deadlines to keep, get to work. Work together on achieving your financial goals, and set regular meetings to monitor the family's progress. Charting your savings each month is a great way to keep you on track. Make a poster with monthly or dollar-amount goals, put it in a place where everyone can see it and keep the tracking up-to-date so even little victories can be recognized.

Once a goal is reached, celebrate. Then set a new goal. Make sure everyone understands that financial health is something to work at on an ongoing basis, just like the health of your body. You can't reach a goal and then go back to past bad behavior.

Good financial habits start with planning, open communication and commitment to goals. Start building those values in your children at a young age and you'll be preparing them for a lifetime of financial health.