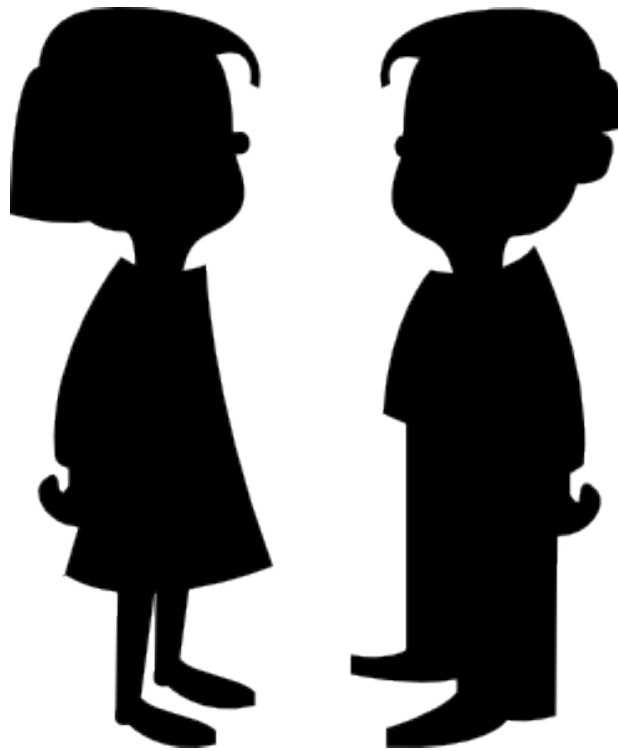


Simple Checks and Balances

*Teaching Your Child to
Manage a Checking Account*



Introduction: A Checkered Past

As far as we know, money is an exclusively human concept. After all, what other species could possibly have come up with the idea of trading something of little or no intrinsic value for all the necessities of life? Sure, the things used for money are often rare -- pretty shells, shiny metals, glittery stones -- but come now: you can't actually eat them, can you?

For most of fiscal history, money was bulky and heavy, too. It wasn't until about 800 years ago that someone had the bright idea of passing out colorful slips of paper that were, theoretically, backed by shiny metal someone was keeping in a vault somewhere. Paper money was a hit, and it's been around ever since.

Can We Get to Checks, Please?

Okay, here's the skinny: bank checks are less than 400 years old. They were an invention of the Dutch, those financial connoisseurs who also created banks as we know them today. The first checks were little handwritten promissory notes called "cash letters" -- basically IOUs that a creditor could hand to a cashier in order to receive the promised amount in cash from the issuer's account.

By 1750, European bankers had started requiring preprinted checks, and things took off from there. By the time checks had become an integral part of American life in the 1950s, they were basically as we see them today, right down to the magnetic ink in those funky numbers that run along the bottom.

What's All This About Kids and Checks?

The idea isn't as outrageous as you might think. You see, too many young people these days have absolutely no idea how to use a checking account once they start out on their own. Blame it on their parents, society, video games, whatever; the fact is, they're fiscally crippled, because they're forced to deal almost exclusively in cash. And yes, while that has its positive aspects, it also limits their financial potential.

If you want your kids to avoid that (and of course you do), your best bet is to start teaching them fiscal responsibility, in all its glorious variety, while they're still young enough for it to stick. That's the purpose of this guide: it offers a simple, step-by-step process that helps you teach your child fiscal responsibility, using a checking account as an example.

That may not seem like much, but understanding the rigors of personal finance in advance will help your child ease into one of the most important aspects of any adult's life, and prevent them from being shocked and overwhelmed by the reality of it all. It'll also help them learn how to respect money in all its forms.

Chapter 1: Money Management for Beginners

The question is, when should you start? Six is a good age; by then, most kids have developed at least a general understanding of the concept of money. You can start sooner, but don't overdo it; there comes a point, as you go down the age scale, where money becomes little more than an interesting chew-toy.

Let's get to it, shall we? A fun way to dive right into these financial lessons with your child is for both of you to go to this website <http://www.kidsbank.com/> . KidsBank.com™ is a fun place for kids to learn about money and banking. You and your child will take a little cartoon tour of what checks are and how they work.

Now that they have a better understanding of what you are trying to teach them – we can move forward with an allowance. Whether it's a real monetary payment for helping around the house or a faux payment for good behavior, an allowance can help a child develop the money management skills, responsibility, and independence they'll need later in life. In fact, most experts agree that it's the best possible money-management tool you can use with your child.

Once the kiddies get used to their weekly salaries, gently introduce the idea of saving for the future. You can start simple, with piggybanks and change, before working your way up to the complicated stuff like compound interest and checkbooks. The point is, you need to start teach them the message of money's value at a young age. Otherwise you're asking for trouble later on.

The Next Step

After your children have gotten used to the idea of manipulating coins and currency, you can take it a step farther by introducing them to play checks. Kids are naturally inquisitive, and as most parents can tell you, the concept of checks fascinates them. So put that fascination to good use. But instead of letting them scribble on your good checks, make up some play checks for them to practice with. You can download a template for kid's checks online, or you can give them some of your old, invalid checks to use – just make sure you mark out the routing and account number information at the bottom.

If you really want to make the experience realistic, set up a pretend account that your child can actually use. In addition to their basic allowance (which, ideally, they're saving most of), you can make "deposits" to the pretend checking account whenever they do chores, make straight As, or actually remember to water the parakeet. With those in place, you can have them write you checks for all the little things you do for them: meals, homework help, rides to school, even checking in the closet for monsters.

As part of the exercise, you'll need to show them how to keep a checkbook ledger -- either with their checkbook register (a blank one is provided with this document), or on a spreadsheet program on the family computer. Print out weekly "banks statements," and demonstrate how to balance their ledger. Then keep an eye on them, and make sure they

maintain their account on a regular basis. And by the way: if they bounce a check through inattention, charge them a fee. The bank wouldn't hesitate, and neither should you.

The Real Thing

Assuming you've kept up your money-management lessons, it won't be long before your child is ready to replace their pretend checking account with a real one. The appropriate age for that is up to you, based on your own beliefs and what you think your child can handle; however, ten years old isn't too young for a normal, intelligent child who's taken your money management lessons to heart. By that point, they'll probably have outgrown the pretend checking account thing anyhow.

It shouldn't be too much trouble to set up your child's account; most banks offer accounts just for kids, with starting balances as low as \$10-20. Plus, some banks offer fun activities and bonuses that can help make establishing and maintaining the real account a little less scary. If your bank balks at the idea of establishing a checking account for a child (and they might), the minimum balance for an everyday checking account is usually just \$100. Be aware that in most such cases, you'll need to be a co-signer.

Once the account is established, you'll have to help your child with the paperwork, especially the process of filling out the withdrawal and deposit slips. If you've already prepared your child with a pretend account, they'll find that it's easy to apply the lessons they've already learned to maintain and balance their ledger.

Make sure they deposit a significant amount of their allowance into their account on a weekly or monthly basis, and be willing to incentivize them by contributing to their account when they show responsibility. You'll have to keep an eye on things, of course, but in the end it'll be worth the effort.

Chapter 2: Why Checks?

Nowadays, there are more ways to pay for what we want than ever before in history. There's always cold, hard cash, but it's more common and just as easy to use credit cards, debit cards, and electronic funds transfers (EFTs) to pay for our real-world purchases. For online venues, you can also use payment services like PayPal and eBillMe. So why bother with establishing a checking account for your child?

Aside from the fact that a checking account offers a simple way to teach your child about personal finances, checks are convenient and easy to handle. Checks have been one of our most common payment methods for more than 50 years, so they're accepted just about everywhere. Plus, nothing beats checks for paying bills by mail. Best of all, it's easy to keep checking records, especially since many banks still send you your canceled checks at the end of the month.

Arguably, the best thing about using checks is that they offer a sense of security. They're easy to cancel and easy to trace, and common security features like watermarks, micro-printing, controlled paper stock, and chemically reactive paper discourage all but the most determined and tech-savvy criminals from passing fakes.

While other means of handling money can be convenient and secure, none of them offer all the benefits of personal bank checks. Take cash, for example: you can't safely mail it to someone. Anyone can use cash if you lose it, too, and it's easier to steal -- ever tried to stop payment on a \$100 bill? More to the point, it's easier to spend cash foolishly.

Debit cards are less of a problem than cash or credit, because they're connected straight to a bank account and simply won't let you keep buying if you run out of money. However, they have their own issues. Even today, they're not universally accepted, and sometimes fees apply. Worse, the intangibility of EFT and debit transactions makes them easy to forget, which could lead to a certain level of inconvenience if they're not immediately recorded.

Conclusions: Let's Get Started...Please?

Today's plague of fiscal irresponsibility is so blatantly obvious that you'd have to be willfully blind to miss it. It's there at every level of society, from the millions of individuals burdened with credit card debt to bankrupt municipal governments -- and right on up the ballooning Federal budget deficit.

Unlike those pernicious bankers who've learned that if you fail spectacularly enough you'll be rewarded by a billion-dollar bailout, we individuals have to sink or swim on our own when we fail financially. The result? Foreclosures, outrageous interest rates, lack of credit, empty bank accounts, hand-to-mouth living, having to pay cash for everything.

You can help to forestall the next generation's financial despair if you'll just start *now*. Sure, it may require some effort on your part, and we understand how busy life is these days; but it's worth it, because it prepares your kids to function in society. Do this, and your children will start out a step ahead of all their peers -- because those kids' parents probably won't have bothered.

It's not a difficult process. Start your children young with an allowance and careful saving, and then gradually build your fiscal lessons until they're ready for a mature way of handling money: a checking account. Why a checking account? Because it offers a familiar, safe compromise between all the ways of handling and spending money.

Once your child's checking account is active, you can get them off to a good start by rewarding them their first box of checks. It won't cost you much, and it's a nice gesture that proves that you trust them and honestly believe they're mature enough to handle their checking account (although, of course, there should always be some parental oversight!).

These days there are so many cool check designs to choose from! Forget about those boring plain blue checks you paid an arm and a leg for at your bank. There are great designs available for big kids and little kids alike -- including:

- Cartoons -- Hello Kitty, Scooby Doo
- Superheroes -- Batman, Superman, etc.
- Movies/TV --
- Disney -- Mickey Mouse, Tinkerbell
- Where The Wild Things Are
- Dinosaurs
- Sports
- The list goes on and on!

Teaching your children the basics of fiscal responsibility and then working your way up to a real, live checking account doesn't have to be a chore; instead, look at it as a way of spending quality time with the kiddos before they hit their teenage years. It can be fun,

and best of all, *your* kids will have a head start over all their buddies, who wouldn't know fiscal responsibility if it jumped up and bit them.

And hey -- if we're lucky, in 20 years your kids (and other well-prepared young people like them) will be running those financial institutions that are currently falling like dominoes due to poor management, and our economy will be humming along like the well-oiled machine it should be. And who will they have to thank then? Why, *you*, of course!

So what are you waiting for? Let's do it!

