e-newsletter

Community Frameworks
AFFORDABLE HOUSING SOLUTIONS FOR THE NORTHWEST

HomeStarts
A SELF-HELP HOMEOWNERSHIP PROGRAM

February 2010 www.communityframeworks.org Issue Eight

Teaching Children about Money Management

Money management at any age can be a difficult concept to learn, but teaching children can be an especially difficult task.. It doesn't have to be a chore. With a few simple steps teaching financial responsibility to your children can become a family project.

Typically, children 5 - 10 years of age do not have a clear understanding of the value of money. They love to collect coins and their concept of money is volume, such as 20 pennies is better than one quarter. There is no value concept for them. They do start to understand the different values of money as they get near the end of this age range.

By talking to them about the family budget, you start to clarify the importance of money; what it does for the family and how it should be used. It isn't necessary to burden them with how little you have or how expensive things are, simply explain that a certain amount of all the money that comes into the house goes towards food, paying for the home, and other necessities. Then talk about how a certain amount has to be saved for emergencies and other items.

Finally, setting up a household goal, such as a family vacation, and having a communal piggy bank that the family is contributing towards helps children to understand that every contribution matters. If children are receiving an allowance, teach them to budget their own funds as well. A standard 10% savings, perhaps an amount to charity if that is important to you, and then the rest is for spending.

Children 11 - 15 years old tend to have more opportunities to earn money ,so it is especially important to enforce the "at least 10% into savings" rule. Opening a bank account in their name at this age allows them to see that they have something of their own, and they can see their balance grow with interest and their own contributions.

Whether allowances are tied into chores or not, it is critical for children to understand the importance of earning their incomes, just like Mom and Dad do. If saving behavior is established early, it is more likely to become a lifelong habit.. That discretionary income that is left over after savings is theirs to spend.

It is important to clarify what they must buy for themselves from their funds, such as CD's, movie tickets, and unnecessary clothing. Once children learn they have only a set amount of money to spend and what they should spend it on, they begin to see that they must make choices and begin to really understand the value of their funds.

Children 16 and older often have part-time jobs and have much more discretionary cash at their disposal. It is at this stage that they should learn how an ATM card works, how to balance a checkbook and what paying taxes means.

Saving for big expenses becomes more active. Some children assume that when they want a car their parents will buy it for them, not really knowing how expensive a car is when you consider the additional costs of gas and insurance. Sit down with your children and discuss big expenses and how much of the costs you will be shouldering. Ask yourself if you want to pay for all of that expense and more importantly, can you afford to do so?

A very good rule of thumb for any new step, or big purchase with a child is splitting the cost of an expense. "You Want it? Then You Pay Half of it?", a recent Stephen Kreider Yoder article in the Wall Street Journal, depicts this philosophy perfectly. His sons, Isaac and Levi Yoder, are very familiar with this technique.

A cell phone purchase for 14 year old Levi becomes a decision making process since splitting the cost means not only the purchase but also the ongoing monthly expense. He does not have a part-time job and the expenses would soon outstrip his ability to pay. He has taken the cell phone off his wish list for his birthday and is hoping for one next year. See the link on the side bar for the full article.

This technique can be used for many things. A toy or the latest video game may seem like a must have for a child, but when they have to dip into their savings or use their own funds for it the decision becomes more difficult to make. Thoughtful spending is the goal here. Impulse buying can be a result of a poor understanding of the value of money and the difficulty in obtaining it.

It is much harder to dig your way out of debt and to try to start teaching these lessons as your children age. Imagine trying to explain to your child at 16 why he must now spend his own money for the things he wants and that you will not be footing the bill for all his desires.

Challenging children to hit a certain savings goal, earn their own funds, and make their own purchases provides a sense of empowerment, independence and pride for them. Splitting the cost on big purchases brings those goals within their reach and teaches them the real cost of what they want and how valuable their time and money is.

Program Links

HomeStarts

Development

Services

SHOP

Our Mission:

"To support & develop affordable housing as a foundation upon which individuals, families and neighborhoods can build vital communities."

Events:

CF's 3rd Annual Homeownership Resource Fair

March 27th,

10 am—3 pm at the Spokane Arena Champions room

Helpful Links:

You Want It? Then You Pay for Half of It.

Our Locations:

Spokane Office:

315 W Mission Ave Suite 100

509-484-6733

Bremerton Office:

409 Pacific Avenue Suite 303

360-377-7738

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Events:

Save the Date!

March 17, 2010

"Passport to Ireland"

Fundraising Event at Northern Quest Resort and Casino

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Are You Ready to Buy a Home?

The first question that any potential homeowner must ask themselves is if owning a home is right for them. Not everyone is meant to be a homeowner and being able to properly identify your ability and desire to take on the task of homeownership is key.

Advantages of Homeownership

- **Stable Housing Costs** - if you keep the original terms of your loan, the only time your mortgage payment will change is when your property taxes and insurance increase.
- **Tax Benefits** - all home loan interest and property taxes you pay each year are deductible from your taxable income.
- **Equity** - your mortgage payments are like an investment. Over time you accumulate equity as you pay against your mortgage. This represents your ownership interest in your property.
- **Control Over Your Environment** - the quality and design of your life is up to you. Paint a room, buy a pet, plant a garden are all your own personal choices.
- **Stability**—a home is a place of your own. Homeownership provides a sense of pride, accomplishment and creates greater ties and participation in the community you live in. It provides stability for the homeowner and the community.

Disadvantages of Homeownership

- **Monthly Costs** - often the monthly costs of a mortgage, utilities and maintenance is higher than rent.
- **No Guarantees** - there are no guarantees that your house will increase in value. Market conditions can affect this, as well as wear and tear on your home and the local economy.
- **Maintenance and Repairs** - you are the landlord and these expenses can be costly. Small issues, like loose shingles, if left neglected can cause a huge problem in a very short time.
- **Decreased Mobility** - you own this property, there is no lease that will expire and if you want to move, more than likely you will need to sell it first. That can take several months or longer.
- **Fewer Features** - things that you may come to expect as part of your lifestyle, such as a pool and ac, are no longer a given when you buy. All of these amenities cost more and you may not be able to afford to have them.

Make a pros and con list to make your case for renting or owning. Once you start to see where your focus lies, with the pros or the cons, you will be able to make the best decision for you and your family.

Upcoming Events

Homebuyer Education Classes

- **Understanding Credit,** February 3rd, 6 - 7 pm
- **Managing Your Finances,** February 10th, 6 - 7 pm
- **Mortgage Basics,** February 17th, 6 - 7 pm
- **HomeStarts Informational Meeting at CF** February 22nd, 6 - 7 pm

- Community Events

- **Homeownership Informational Meeting** - Shadle Library

  February 9th, 6 - 7 pm
- **Homeownership Informational Meeting** - Cheney Library

  February 16th, 6 - 7 pm
- **Homeownership Informational Meeting** - Spokane Valley Library

  February 24th, 6 - 7 pm

Classes are free of charge and require registration. To reserve your spot contact us at (509) 484-6733, ext. 117.

Check out our website for additional events and project information. www.communityframeworks.org/homestarts

CF Happenings

Community Frameworks' 3rd Annual Homeownership Resource Fair is just around the corner.

Our event is at the Champions Room at the Spokane Arena, plenty of free parking for attendees. We will be providing reusable giveaway bags, door prizes, and demonstrations will be given by State Farm, Avista and Community Frameworks.

Our attendees include, Hayden Homes, Banner Bank, Greenstone Homes, Washington Trust, USDA, SNAP, Horizon Credit Union, Farmers Insurance, Habitat for Humanity, Avista, State Farm, Amerispec Home Inspection, SLIHC and many more.

Join us March 27th, 10 am - 3 pm.