
Banking on the future

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MORE than two thirds of parents are afraid of teaching their children bad money habits, recent research suggests.

Teaching children about money can be tricky. What do you tell them after you say "Money doesn't grow on trees?"

And when it comes time to open their first bank account how do you help your child choose the best one for them? Sometimes it is hard enough to know which is the best account for an adult, let alone a child who knows very little about money and saving.

Right now banks are not only competing for our money, but for the deposit dollars of our children.

They are offering bonus rates, fee-free accounts, children's newsletters and clubs, piggy banks and gimmicks. Most importantly they are offering some seriously high interest rates for children's accounts.

The first thing children need to understand is the difference between needs and wants, according to Greg Smith, author and founder of Kids Money, a company dedicated to teaching parents about teaching children about money.

"From the age of four or five you can start engaging children in a discussion about needs and wants; what money can and can't do and buy, how we use money and how much things are worth," Mr Smith said.

"Up to 70 per cent of people participating in our surveys say they were not taught about money as a child, either from their parents or from school.

"A high proportion of those people are fearful of what their children were picking up about money because they don't know what to teach and what not to say to their kids about money.

"The Federal Government's financial literacy foundation found that 80 per cent of financial literacy comes from the home, so while the schools are doing their best and there is a new financial literacy curriculum coming in, it really comes down to the parent.

"Kids absorb everything. They'll watch Mum and Dad talking about money, arguing about money, having a negative attitude about money," Mr Smith said.

One way to help make money a positive aspect of a child's life, is for them to have their own bank account.

All banks have some attractive-looking kid's accounts, and there are some good online savings accounts as well.

"Walking into a bank branch is a good way to start with kids," said Mr Smith.

"Later they can understand and relate to internet accounts, but a branch is a good way to start."

Shaun Cornelius, chief executive of financial comparison website Infochoice.com.au, said the Bankwest Kids Bonus Saver – with a 10 per cent bonus interest rate – offered the best interest rate on the market.

"Another competitive product is Suncorp's Kids Savings Account with 5.25 per cent maximum interest rate," he said.

Westpac has upped the promotional interest rate on its Kids Reward Saver account to 5.95 per cent for under-12s. That rate is available for four months on accounts opened by May 9. An ongoing rate of 3.4 per cent per annum is paid when a deposit (and no withdrawals) are made during a month, otherwise the children get 1 per cent.

A similar deal is available from the Westpac-owned St George Bank.

The Commonwealth bank has long been the major player in the children's banking market, and has recently put more money into its school banking program. The Commonwealth doesn't charge fees on its accounts for students.

"The first bank account you choose for a kid needs to be simple, with no fees and a good interest rate," Mr Smith said.

"Some of these current offerings with big promo rates get complicated and if you miss making a deposit one month you don't get very much interest – all that can confuse kids."

Splitting up your money to provide for different things is important, Mr Smith said. He recommends parents talk about four main purposes for money – living, giving, saving and "wealthing".

"You need money for living, we also encourage charitable behaviour and suggest parents teach this to their kids as well.

"Saving is money you keep for something special or to spend later, and 'wealthing' is about investing and as the children grow you can talk about that."

As children get older and become students and young adults they take over the management of their own affairs.

Rohan Gamble, managing director of financial comparison service Mozo.com.au, said many students paid too much for basic banking by not taking advantage of special student-only deals.

These deals include zero account-keeping fees, low-rate credit cards and student loans, and programs that help students with their savings goals.

BASIC MONEY FACTS FOR CHILDREN

- Money is something that lets us buy things. It is made up of coins and notes.
- A bank is a place that looks after money and keeps it safe. It also lends money.
- A budget is a plan to keep control of the money you earn – you decide what you want to spend your money on and how much you will save.
- Saving means not spending your money straight away, but putting it away so you can spend it later.
- A bank account is the record your bank keeps to know how much money you have given them to look after. It has your name on it so the bank knows it is your money.
- A BSB number is the six-digit code that identifies the bank and branch to which you belong.
- Interest is money the bank pays you for letting them look after your money. You pay them interest if they lend you money.
- An ATM is an Automated Teller Machine. It has money inside and you can withdraw cash.
- An ATM card is a plastic card used to withdraw money from your bank account using an ATM.
- A PIN (or Personal Identification Number) is like a secret password (made up of numbers) that you enter into an ATM or EFTPOS machine.
- EFTPOS stands for Electronic Funds Transfer at Point Of Sale – you can buy things at shops and pay for them using money from your bank account directly.

Source: St George Bank