

MONEY AND YOUR KIDS

A NEWSLETTER FOR PARENTS

April

Loans

Credit's Younger Cousin

Children begin to learn about credit when they learn to borrow things from others and return them quickly and in good condition. A family rule about borrowing can save many bad feelings and prepare the way for wise borrowing later.

Guidelines for the Parents' Bank and Trust

1. Make sure your child knows which is a handout and which is a loan. (Make no empty threats!)
2. Give loans thoughtfully. Sometimes money mistakes may offer a chance to teach about credit.
3. Be serious about repayment.
4. Consider and discuss time payments and a small interest charge.
5. Write it down.
6. Don't lend additional money to a borrower who isn't paid up or who has a bad credit rating!
7. Collateral or repossession may be appropriate in some cases. This may work for the "I'll pay you later" syndrome.

Buy Now - Pay Later

For children (parents, too!) "buying now" is a lot more fun than "paying later." We live in an economy where some businesses make credit available for teens and sometimes even 12-year-olds. Parents are left with the task of teaching children about limited resources in the midst of a market filled with unlimited choice.

What can you do?

Most fifth-graders know that anything borrowed should be returned. Most children understand that money can be borrowed; they may not know about collateral, repossession, repayment schedules or interest. They may not know you are making payments on credit.

Since many fifth-graders may not have studied percentages in math, a lesson about interest may or may not be understood.

You will want to explain these terms, but the best teacher your child can have is your good example.

For more information, the following publication is available at your county office of the NDSU Extension Service:

FE-260, Credit - Using It Wisely



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Brought to you by the NDSU Extension Service and your local extension office.

See your extension agent for more money management information and other family economics programs.