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**Cost of Pets | Value of Music Education | Vermont Made Gifts | Planned Giving**

**4 LOOSE CHANGE**

**6 COSTLY COMPANIONS**  
Consider the Costs Before Picking the Pet

**9 MONEY MANAGEMENT**  
The Gift of Planned Giving

**13 THE TEN SPOT**  
Ten Timely Tax-Saving Tips:

**16 MONEY & RELATIONSHIPS**  
Money Wise for Your Child

**18 REAL ESTATE: LOCAL MARKET TRENDS**

**19 INVESTING IN YOUR HOME**  
Harnessing the Power of the Sun

**22 ARTS & ENTERTAINMENT**  
Music Education: Is It Worth the Money?

**27 THE ECONOMY**  
Social Security Generates \$3 Billion for Vt.

**28 AGING PARENTS**  
Keeping Parents Safe from Scams

**30 VERMONT-MADE HOLIDAY GIFTS**

**36 GETTING AROUND**  
Decide How You Ride: The Costs of Commuting

**41 KIDS & MONEY**  
Don't Stop Thinking About Tomorrow

**44 PAYING FOR COLLEGE**  
Saving for College: It's Never Too Late

**46 INSURANCE**  
Quirky Coverage: Insurance for Everything

**50 TRAVEL & LEISURE**  
251 Reasons to Explore Vermont

**53 FOOD**  
Fall Minestrone Soup

**55 TAX MATTERS**  
Vermont 'Use Tax' No Longer a Mystery

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# Vermont Made: Gifts for the Holidays...

**PAGE 32**





**Money & Relationships** Christine Moriarty

# Money Wise for Your Child

When parents ask me when they should start to talk to kids about money, I tell them they already are every day. Parents act as role models for children. They must be aware of what they are teaching their children consciously and subconsciously, especially since children as young as 2 know a bit about money.

From experience, I know young children see more than we think. My niece, Caitlin, was nearly 2 when I took her to a cousin's graduation party. Before we could get in the door, we were met by a distant relative, Mikey.

What happened next was eye opening to me. After chatting with Caitlin a bit, Mikey opened his wallet, pulled out a five dollar bill and handed it to her. She immediately did a little dance, singing "Dollars, dollars, dollars!" As Mikey and I smiled at each other, I asked her to thank him for the gift, which she dutifully did and then proceeded with her little dance and song.

"Caitlin," I attempted to get her attention, "This is a five dollar bill. See the five, it is worth as much as five dollar bills."

She continued to smile without truly comprehending the difference. "Why do you like dollar bills so much?"

"Because they are good," she said.

That is all she could conclude from her meager understanding. However, I learned a lot that day.

If your household has no toddlers running around, but teenagers who are only around for feeding time, they are noticing your money methods, as well. Mary, a 13-year-old, would ask her Mom not to use her

credit card when they went shopping together. "Can't you use a check instead, Mom? Or cash?" The mom was puzzled since clothes and other benefits were for her daughter.

One afternoon when they were talking, she was able to ask her daughter why she was so focused on not using credit cards. Mary told her mom, "Whenever I am around and you get the credit card bill in the mail, you get so stressed out opening it. I figure if you do not use it, then you will not get a bill and will not get so anxious anymore."

The Mom was very surprised she was so observant. I am not.

Want to teach your children more consciously about money? Here are some pointers to keep in mind:

- Keep your actions in line with your values. As you know, your actions speak louder than words. Your family is learning from where you put your priorities and your pocketbook. Giving to charity and helping the environment may be your priorities, but if you are always operating on the fly and spending without setting some money and time aside for causes you believe in, then you are sending an inconsistent message to your children.

- Watch your language. Many people get into the habit of repeating phrases they have heard around money without understanding their impact. "We can't afford that." Or "I never have enough money." Or even, "I do not have the money, so we will just have to use our credit card." All of these represent an attitude we are sharing with our children.

- Don't be afraid to talk. No child needs a math and career lesson



**Whenever I am around and you get the credit card bill in the mail, you get so stressed out opening it. I figure if you do not use it, then you will not get a bill and will not get so anxious anymore."**

—Thirteen year-old girl to her mother



## Age-specific Lessons: Touchstones for Your Children

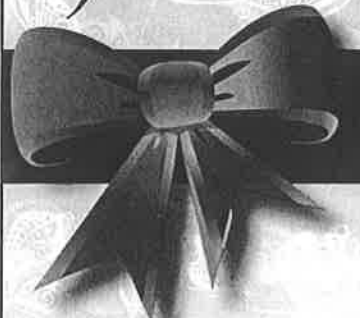
Ages 2-3	Bank It. Since young children are aware of money, teach them there is a place for money. Get them a piggy bank and show them how to put change away.
Ages 4-5	Allow Learning. This age is a good time to start an allowance. The amount does not have to be large, a dollar would work. The amount just has to be consistent and regularly given. Some parents pay it out monthly, others weekly. This is their money, so let them learn to be responsible with it.
Ages 6-7	Basic Math. At this point, a child understands basic math and so starting to teach them about dividing their money for different purposes makes sense (pun intended.) Sit with your child and talk about saving money for some large purchase, leaving some in their wallet for spending and giving some away for charity. Let them know this is how you do it as a family.
Ages 8-9	Go the Bank. This is a great age to set up a savings account at the bank with your child. Some banks require minimum deposit amounts, so consider a trip to the bank after their birthday or a holiday when they may have more ready cash to deposit.
Ages 10-11	Job Time. As they get older, money from odd jobs or gifts may increase. Let them learn about managing money by doing it. If they want to buy that new iPod, skateboard or bike, be sure to reinforce the financial lessons by encouraging them to check their bank balance and anticipate when they will have the money to do so.
Ages 12-13	Age of spending. Be sure to instill reminders of what is important as a family and what they may want in a few years. If college is in the offing, suggest they save for some college costs now, such as a laptop, so they are better prepared. If they are dreaming of their own set of wheels, start talking about the price of a car and the insurance and suggest goals to work towards.
Ages 14-15	Lifestyle Decisions. At this point, the spending portion of their allowance should be going to some of their regular wants. If they want a new phone, or the latest jeans, have them use their money. Letting them spend what they have when they go to the mall will give them a sense of what things cost. For spending and learning, go to the bank with your teen and have them open a checking account. This will give them a sense of what it takes to have a bank relationship beyond their savings and most importantly, how to balance and manage money they are spending.
Ages 16-17	Check It Out. If your teen has developed an understanding of their checking account and how it works, this is the time to have them get a debit card on their checking account. You want them to master one new skill at a time, which is why it comes after they have managed their checkbook well for a year. At this point, they are typically still under your roof and you can monitor in case they need guidance.
Age 18	Launch. Typically, they have graduated high school and have started a job or entered college. They can handle the basics on their own.

where they sit and learn all about the family finances or impact of your career decision on family life. However, they do need to know the basics. Short conversations woven into a car ride or family meal where they are prepared for, "Dad is taking a different job and will be making less money, so some things will change." Or, "Grandma needs extra help, so we are going to be contributing financially to help her." Even when positive financial things happen share the highlights: "Mom got a one-time bonus so we decided to get a new car." Or "Uncle Tom died and left us some money, so we are going to go on that one big family trip we have talked about for years."

Take the time for financial education. The financial world is more complicated than ever. Yet, basic money management skills are the ABCs of financial education. Start your child off right by giving him the lessons he needs to build up and move forward in his financial life. ■


*Christine Moriarty is a certified financial planner and graduate of the University of Vermont and Babson College with a Master of Business Administration in entrepreneurship. She is a financial speaker and has taught financial management at a variety of universities. She lives in Vermont.*

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