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TALKING TO YOUR KIDS ABOUT TOUGH ECONOMIC TIMES

BRENTWOOD, Tenn. – The nation has been facing uncertain economic times for a while now, a fact that has had an impact on many Americans. That means that many families have had to tighten their budgets and cut back on some of their spending. As this occurs, kids may have a tough time understanding why their parents can no longer afford the toys, electronic gadgets, activities or trips that they want. The Tennessee Society of CPAs offers this advice on how to address the economy with your children.

BE HONEST

Children may already sense that parents are dealing with financial problems, so don't be afraid to be candid about the fact that times are tough and that your family has been affected. In responding to their questions, remember to give an answer that's age appropriate. That might range from simple reassurance for a kindergartner to a more complicated discussion with a teenager who has been watching the news. In either case, the parents' message should be that you are doing your best to solve whatever problems are facing the family and that you trust that your situation will improve.

SET LIMITS

Although children should be reassured that their needs will be met, that doesn't always mean that they can still have everything they want. This may be a surprise for many kids who have grown up in more prosperous times, so you may need to explain that certain expenditures are no longer possible. While this can be a difficult conversation, the situation can also present a great teaching opportunity. Introduce your children to the idea that there are limits to what any

family can spend and help them to understand the choices that adults make in creating a family budget. In fact, you can describe the family budget as a puzzle that must be solved each week. This lesson in everyday economics will serve them well when they someday run their own households.

GET THE KIDS INVOLVED

Once you explain your family's financial limitations to your children, you can invite them to help everyone live within a budget. For example, ask for their ideas on what items should be priorities in the family budget. Challenge them to come up with inexpensive family activities, such as cooking together or going for bike rides, to replace movie nights or other more costly activities. If you involve the kids, they will feel they have made a contribution to the family's well-being and have a greater sense that the problems facing the family can be solved.

PLAN FOR THE FUTURE

All of these steps can make it easier to live within a tight budget, but kids will probably still have a wish list of items that they will be disappointed to forgo. Let them know that it might still be possible for them to have what they want. Younger kids may be able to buy a special toy with money they receive for a birthday or holiday, for example. Older kids might be able to get a job. Explain that it may still be possible to have special things, but that patience will be necessary.

About Money Management

Money Management is a weekly column on personal finance prepared and distributed by the Tennessee Society of Certified Public Accountants (TSCPA) as a part of its financial literacy initiative.

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