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Teaching Children about Money

Local Advisor Offers Tips to Parents During Financial Literacy Month

Madison, NJ (April 8, 2010) — According to the [Council for Economic Education](#) (CEE), almost 70 percent of American K-12 students are not being taught about personal finance at school. In light of the continuing crisis involving personal debt and minimal savings among Americans, John Egan, president of J.M. Egan Wealth Advisors, finds this statistic alarming.

“Yet another generation of Americans is doomed to repeat our money mistakes if we don’t increase financial literacy among young people,” declares Egan.

In recognition of Financial Literacy Month, Egan offers parents three tips to help their children attain basic personal financial management skills:

Model good behavior – Kids remember and copy parents’ behavior. If a parent regularly runs up charge cards beyond their means that is the behavior a child is likely to mimic. “Create a budget and let your child see how you follow it,” suggests Egan.

Talk to young children and teens about money – Personal finance topics should not be taboo because talking about money is a learning opportunity. A child can be taught the differences in coins as early as age three or four and ought to have a piggy bank by age five. “A simple change in the words we use can also

impact a child's perception of money and need versus want," explains Egan. "For example, teach a child to ask 'how can I earn that game' rather than 'I want that game'. Also, instead of saying 'we can't afford it', say 'we don't need that right now.'"

Also, keep talking about issues like debt and credit with teenagers, even if they act like they are not listening. Credit/debit cards can feel like plastic funny-money to new users.

Consider allowance –Some experts believe an allowance should be contingent on doing household chores so that children begin to connect work with money. Others insist that chores are a family obligation and should have nothing to do with the child's allowance. "Either way, if you give an allowance, insist that your child be responsible for certain expenses," says Egan. "This teaches them to make choices, the building block of sound money management." Lay out the ground rules in advance. How often and how much will the child be paid? Under what circumstances could the allowance be increased? Will advances on an allowance be allowed? Can the child earn more money for doing extra chores?

Remember, bailing out a kid "just this once" may be the right thing to do. However, bailing them out a second or third time is almost never a good idea. "Sure, you want to make your children's life easier than you had it, but don't deny them the satisfaction and self-confidence that come from overcoming challenges," explains Egan. Ideally, children will learn important financial lessons while they are young and the consequential cost is low.

About John Egan, CFP®

John M. Egan of J.M. Egan Wealth Advisors, LLC in Madison and Point Pleasant Beach, New Jersey is a financial advisor who specializes in wealth management, retirement planning and independent investment advice. Since beginning work in the financial services industry in 1986, John has worked with hundreds of families, teachers, corporate executives, and small businesses in 15 states to help them design a plan to achieve their financial dreams. He has the comprehensive education and experience to handle all aspects of building and preserving wealth. For more information, visit www.JMEgan.com.

NOTE:

When you need an experienced professional to speak on complicated financial topics in a clear and concise manner, call John Egan at J.M. Egan Wealth Advisors, LLC.

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