Steps to Teaching Kids about Borrowing

Although children are too young to get credit cards or get a loan, they can learn how to borrow well from you. Follow these steps to teach your kids about borrowing well so they can practice borrowing money and paying you back on a regular basis—and on time.

Step 1

Help your child choose a specific item that he or she wants to borrow money. For example, maybe your child would like to borrow money to buy a cell phone or an mp3 player. This teaches your child to think carefully about why he or she wants to borrow money.

List the item here: _____

Step 2

Encourage your child to save for at least half of the item. This teaches your child how to save money and to borrow well. (This also teaches your child not to just borrow money for every situation without taking some responsibility.)

List the total price of the item desired: _____

List half the price of the item to save: _____

List half the price of the item to borrow: _____

Step 3

Once your child has saved for at least half of the item, lend your child the money. Create a payback plan that specifies how much money your child will pay you back and on what type of regular schedule. For example, maybe your child will pay you back $2 a week until the entire loan is paid off.

List how much money your child will pay each time: _____

List how often your child will pay you (for example: weekly): _____

Figure out how long it will take your child to pay back the loan: _____

Handout #2-BO-PE

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Step 4

Be clear that your child should not borrow money from anyone else at this time. Being a good borrower entails knowing when to borrow money and when not to.

Step 5

If your child has trouble paying you back in regular installments, meet and create a new timeline and payment plan.

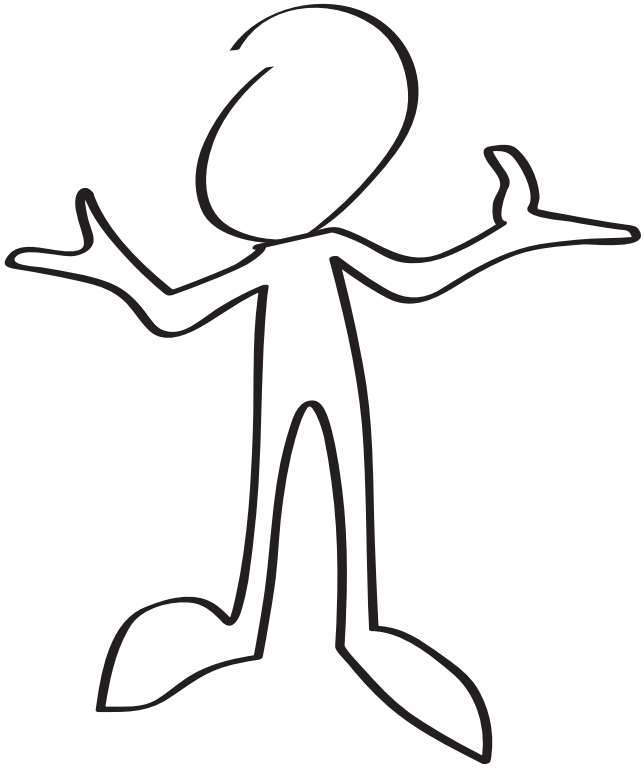
List how much money your child will pay each time: _____

List how often your child will pay you (for example: weekly) _____

Figure out how long it will take your child to pay back the loan: _____

Step 6

When your child has paid you back and paid you back in a timely manner, celebrate! Your child is learning strong borrowing skills.



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