Each child's attention was focused on the brightly colored chart.

Their father was explaining to his family the different things his income provided them every month. He held a color-coded chart that illustrated the percentage of income that is spent each month for the family's food, clothing, medical needs, transportation, music lessons, and other items.

“This red section, here,” explained Ralph Jackson to his four children during a family home evening lesson on finance, “shows the portion of income it takes just to live in our house. Your mother and I pay the mortgage company a certain amount every month until the house is paid off. The yellow represents what we pay to have light and fuel to run the furnace and make hot water …”

As he continued explaining how money kept their physical lives going, Brother Jackson chose not to use actual amounts but rather showed his children the percentage of his income that covered the expenses for each aspect of the family’s life. “My children have not yet experienced managing a thousand dollars, so rather than confuse them with dollar amounts, I was able to teach them what they need to know by showing them what proportions of my income are spent on our family’s needs. That way, they see expenses comparatively.”

This father was trying to help his family see ways they could cut expenses. So he gave them a big picture of where the family money went. The lesson worked. They were able to tighten the family budget by working together to keep lights turned off, take shorter showers, and generally waste less.

Every family can benefit from evaluating their wants and needs, considering ways to manage their income wisely. Parents best prepare their children to be wise managers of money by talking about the choices they can make when they use it. How much should be saved, how much can be spent—and what for—are the kinds of questions that children can be taught to ask at a very young age.

**Financial Management**

One of mortal life’s major challenges is our management of physical resources—preserving and multiplying them to good purposes. Sound management of finances does not require a college degree. But people too often ignore some of the most basic methods of money management. Among the simple, practical ways we can strengthen our financial management skills are paying cash or using short-term, no-interest credit; paying bills regularly and on time, thus maintaining a good credit
rating, avoiding penalties, and eliminating interest payments; avoiding speculative investments; and not leaving significant amounts of money in non-interest-bearing checking accounts.

Four of the most important skills we can develop are establishing financial goals, budgeting, controlling debt, and saving during times of plenty for times of need. Let’s examine each of these four areas in greater depth.

**Setting Financial Goals**

Personal financial management begins with goal-setting. As individuals and as families, we should determine our goals jointly. Then we should plan together according to our interests and capabilities. Following are the steps for making such a plan:

1. Make a list of basic needs and fixed expenses, such as tithing, offerings, food, shelter, and clothing.

2. Make a list of wants, such as home furnishings, recreation, toys, books, and musical instruments.

3. Make a list of wants requiring major financial outlays, such as a new home.

4. Set priorities for the items on each list, and establish both short-term and long-range goals to achieve the most important priorities.

5. Evaluate and revise your goals regularly so that they will accurately reflect your family’s needs and wants.

Involve your children in this process as much as possible. This will help them see both the importance of financial planning and how to do it.

Certain scriptural references can also help your children understand that financial matters must be kept in proper perspective with spiritual matters:

“Seek ye first the kingdom of God, and his righteousness; and all these things shall be added unto you.” (Matt. 6:33.)

“But before ye seek riches, seek ye for the kingdom of God.

“And after ye have obtained a hope in Christ ye shall obtain riches, if ye seek them; and ye will seek them for the intent to do good—to clothe the naked, and to feed the hungry, and to liberate the captive, and administer relief to the sick and the afflicted.” (Jacob 2:18–19.)

“Bring ye all the tithes into the storehouse, that there may be meat in mine house, and prove me now herewith, saith the Lord of hosts, if I will not open you the windows of heaven, and pour you out a blessing, that there shall not be room enough to receive it.” (Mal. 3:10.)
Budgeting

President N. Eldon Tanner once said: “It has been my observation in interviewing people through the years that far too many people do not have a workable budget and have not disciplined themselves to abide by its provisions. Many people think a budget robs them of their freedom. On the contrary, successful people have learned that a budget makes real economic freedom possible.” (Ensign, Nov. 1979, p. 82.)

There are as many ways to set up a budget as there are people who make them, but the following steps outline a standard method.

1. For a one-year period, estimate your monthly income from all sources.
2. Estimate your monthly expenses by amount and percent.
3. Then see how your current income distribution compares with your family’s financial goals. Do changes need to be made? Ask a few basic questions: Do we need to increase our income? Do we need to reduce expenses?
4. Try keeping exact records of real expenses and income for a month. At the end of the month, evaluate your budget and progress toward meeting family financial goals by totaling expenses and comparing them with the original plan. Adjust and adapt as often as necessary.

In all this, help your children understand that family financial matters are to be kept strictly confidential. They are not to be shared with friends.

Controlling Debt

Once only the wealthy could qualify for credit cards, but today anyone with a job and even a minimum credit rating can qualify. But like many conveniences, credit cards can be too easily misused.

Of the dangers of credit, Elder John H. Vandenberg has said, “Unwarrantable indebtedness is one of the curses of this day and age. It causes many people to live their lives in bondage. The lure of buying on time under the ‘easy payment’ plan too often puts the millstone around the neck of the purchaser; and when once in the credit rut, it is very hard to get out. Sorrow, grief, divorce, and delinquency are all perpetuated by such foolishness.” (Improvement Era, Dec. 1966, p. 1123.)

Elder J. Richard Clarke adds: “Debt is always a burden, but some debt is necessary. Sound business debt, home mortgages, and other forms of ‘secured’ debt are unavoidable for most of us. However, extravagant use of credit, which comes from yielding to our emotions rather than reason, creates burden.

“For most of us, consumer debt is dangerous and difficult to contain because it is so readily available.” (Ensign, Nov. 1980, p. 83.)

Consider these suggestions on the use of credit:
1. Plan the use of credit as part of total money management. Know precisely how much can be borrowed and how it will be paid back.

2. Use credit only for necessities, not luxuries.

3. Do not use credit for things that will be gone before the debt is paid.

4. Avoid overextended credit. Pay off current bills before buying more on credit.

5. Compare interest rates from various credit sources.

6. Establish a good credit rating in order to qualify to borrow money when needed.

Approach buying on credit with wisdom and care. President J. Reuben Clark, Jr., said, “Once in debt, interest is your companion every minute of the day and night; you cannot shun it or slip away from it; you cannot dismiss it; it yields neither to entreaties, demands, or orders; and whenever you get in its way or cross its course or fail to meet its demands, it crushes you.” (Improvement Era, June 1938, p. 328.)

**Saving**

A good savings program is essential to financial security. One of the simplest methods of saving is through regular deposits of money in a bank, credit union, or other savings institution. Money in savings gives us three choices of how to use it:

1. Operational—When we spend money from our savings, it should be for planned, short-term purchases, such as for maternity expenses, appliances, and furniture. Savings for these purchases help us avoid interest by paying cash and also lets us wait for the lowest price.

2. Emergency—These funds should be between one and three times our monthly income. It provides for such unexpected expenses as illness, car repairs, and temporary unemployment.

3. Long-Range—These funds are for future contingencies, such as the purchase of a house, retirement, a mission, weddings, or education.

Frugality and thrift are not highly valued virtues in the world today, but we need not lecture our children about them. As they see the fruits of our own provident living, they will see its value. The most effective way to teach children to save money is to help them know what they want to save it for.

“‘Save your money’ is a hollow pronouncement from a parent to a child. ‘Save your money for a mission, bicycle, doll house, trousseau, or car’ makes understandable sense. Family unity comes from saving together for a common, jointly approved purpose.” (Marvin J. Ashton, One for the Money, pamphlet, Salt Lake City: The Church of Jesus Christ of Latter-day Saints, 1975, p. 3.)

**Summary**
“The foundation and perspective then are these,” said President N. Eldon Tanner. “We must first seek the kingdom, work and plan and spend wisely, plan for the future, and use what wealth we are blessed with to help build up that kingdom. When guided by this eternal perspective and by building on this firm foundation, we can pursue with confidence our daily tasks and our life’s work, which must be carefully planned and diligently pursued.” (Ensign, Nov. 1979, p. 81.)

Teach your family to live by these basic financial principles, and the blessings that will accrue to both you and them will be immeasurable.

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