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T. Rowe Price: Kids Who Get An Allowance Are More Money Savvy Than Those Who Do Not

Parents, Kids & Money Survey Finds That Money Conversations and Experiences Make for the Most Financially Savvy Kids

BALTIMORE, Aug. 27, 2015 /PRNewswire/ -- T. Rowe Price's 2015 [Parents, Kids & Money Survey](#) revealed that having conversations with kids about money is critical to raising financially savvy kids. There is also a significant benefit in letting kids experience money, and providing an allowance is one way to do that. Parents who combine conversations with experiential learning are most likely to have financially smart kids.

Experience the interactive Multimedia News Release here: <http://www.multivu.com/players/English/7455231-t-rowe-price-financial-education>

T. Rowe Price encourages parents to invest in their kids' futures by talking to them about money matters weekly. To help, the firm created [MoneyConfidentKids.com](#), which provides free online games for kids, lessons for educators, and tips for parents focused on financial concepts such as goal setting, spending versus saving, inflation, asset allocation, and investment diversification.

Judith Ward, CFP[®], a senior financial planner at T. Rowe Price, explains, "It's intuitive that talking to kids about money gives them financial knowledge. But we were surprised to see the extent to which letting kids experience money may have an impact. While giving kids an allowance is one way to let them experience money, parents can also consider opening up a savings account for them or letting them use a debit or credit card, with some guardrails of course.

"If parents talk about money but don't let their kids experience it, it's like telling them how to play the piano without letting them touch one and expecting that they'll be able to play a sonata. Conversations can guide experience, and experience can put those conversations into practice—the two work together."

Since 2009, T. Rowe Price has used online games and experiences to engage kids in learning about money matters in a fun and interactive way. Earlier this year, the firm launched [Star Banks Adventure](#), an online game and mobile app designed with a matching concept that reinforces learning, while engaging kids in an epic adventure to save the galaxy from financial chaos.

THE VALUE OF TALKING ABOUT MONEY

- **Talking to kids about money empowers them.** Parents who have frequent discussions with their kids about financial topics are more likely to have kids who:
 - Say they are knowledgeable about managing personal finances (46% vs. 14%).
 - Say they are knowledgeable about investing (33% vs. 8%).
 - Say their parents do a good job teaching them about money (67% vs. 32%).
 - Understand the value of a dollar (92% vs. 84%).
 - Feel they are smart about money (49% vs. 26%).
- **Parental conversations with each other are associated with money confident kids.** Parents who have frequent discussions with each other about financial topics are more likely to have kids who:
 - Say they are knowledgeable about managing personal finances (39% vs. 16%).
 - Think their parents are doing a good job teaching them about finances (58% vs. 32%).
 - Think they will go to college (86% vs. 72%).
 - Feel they are smart about money (45% vs. 24%).
- **Even arguing can lead to kids feeling smarter.** Parents who have frequent arguments with each other about financial topics are more likely to have kids who:
 - Think their parents are doing a good job teaching them about finances (67% vs. 44%).
 - Feel they are smart about money (61% vs. 33%).
- **Parental conversations with each other are associated with better financial behaviors.** Parents who have

frequent discussions with each other about financial topics are more likely to:

- Follow a household budget (79% vs. 59%).
- Regularly save for kids' college education (65% vs. 41%).
- Contribute regularly to savings (91% vs. 82%).
- Have an emergency fund (88% vs. 75%).

USING MONEY EXPERIENCES AS A TEACHING TOOL

- **Parents who give kids an allowance are more likely to have kids who:**
 - Think their parents are doing a good job teaching them about finances (52% vs. 31%).
 - Say their parents set a good financial example (88% vs. 78%).
 - Say they are knowledgeable about managing personal finances (32% vs. 16%).
 - Say they understand the value of a dollar (90% vs. 81%).
 - Discuss saving for college with their parents (62% vs. 45%).
 - Feel they are smart about money (40% vs. 25%).
- **Parents who let kids make financial mistakes are more likely to have kids who:**
 - Say they are knowledgeable about managing personal finances (36% vs. 16%).
 - Say they are knowledgeable about investing (26% vs. 8%).
 - Say their parents do a good job teaching about money (52% vs. 40%).
 - Think they are smart about money (44% vs. 26%).
- **Student loans as a teaching tool:** Parents who think kids should have student loans to learn about debt are more likely to have kids who feel they are knowledgeable about student loan debt (28% vs. 5%).
- **Some parents support teaching with credit cards:** Parents who think kids should have credit cards so they can learn about managing debt are more likely to have kids who are knowledgeable about credit (33% vs. 9%).

COMBINING CONVERSATIONS AND EXPERIENCES CAN HAVE THE MOST IMPACT

- **Knowledge of managing personal finances:** There is a significant interaction between having discussions and the degree to which parents provide or are willing to provide kids with money experiences. Kids of parents who have frequent money discussions and provide the highest number of learning opportunities (i.e., giving an allowance, letting them make mistakes, thinking they should have credit cards or student loans) are significantly more likely to have knowledge of managing personal finance (68% vs. 0%).
- **Kids who think they are smart about money:** Kids of parents who have frequent discussions and provide the highest number of learning opportunities (i.e., giving an allowance, letting them make mistakes, thinking they should have credit cards or student loans) are significantly more likely to think they are smart about money (70% vs. 15%).

ABOUT THE SURVEY

The seventh annual T. Rowe Price *Parents, Kids & Money Survey*, conducted by MarketTools, Inc., aimed to understand the basic financial knowledge, attitudes, and behaviors of both parents of kids ages eight to 14 and their kids ages eight to 14. The survey was fielded from January 20, 2015, through January 27, 2015, with a sample size of 1,000 parents and 881 kids ages eight to 14. The margin of error is +/- 3.1 percentage points. All statistical testing done among subgroups (e.g., boys versus girls) is conducted at the 95% confidence level. All mentions of discussions about money took place between the parent and the child taking the survey. Reporting includes only findings that are statistically significant at this level.

ABOUT T. ROWE PRICE

Founded in 1937, Baltimore-based T. Rowe Price (NASDAQ-GS: TROW) is a global investment management organization with \$773 billion in assets under management as of June 30, 2015. The organization provides a broad array of mutual funds, subadvisory services, and separate account management for individual and institutional investors, retirement plans, and financial intermediaries. The company also offers a variety of sophisticated investment planning and guidance tools. T. Rowe Price's disciplined, risk-aware investment approach focuses on diversification, style consistency, and fundamental research. For more information, visit roweprice.com or our [Twitter](#), [YouTube](#), [LinkedIn](#), and [Facebook](#) sites.



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