

How to Become a Financially Savvy Parent

Description

Being a parent is a full time job in itself, and can also bring about other expenses that you once never had to think about. As a parent, it's important to develop financial savvy habits as soon as possible. That way when you're raising your child and learning how to manage your money, tasks will become simpler overtime, and only involve minor tweaks to your budget here and there..

The following tips can help you and your family stay on the right path to being financially healthy and responsible:

Know Your Cost Of Living

An initial adjustment that you may need to make to ensure your handling your finances correctly, is gaining information about your cost of living. This includes the expenses for your needs, such as keeping a roof over your head, clothes on your back, food in the cupboards and the lights on. In an average household these costs usually add up to [50% of your monthly income](#). If you find that you are spending far over the 50% mark on housing and other basic expenses, it may be time to look at what you can do to help cut down costs.

Luckily, there are plenty of options to do so. This task can be as small as limiting your utility usage to save on bills, while others can be as extreme as downsizing your home. Whichever route you take should be determined by your lifestyle and financial situation. Once you have gotten your cost of living to be centralized to around 50% of your monthly income the next step is to know what to do with the remaining money.

Create Your Spending Strategy

A [spending strategy](#) keeps your finances organized and allows you to spend money on certain things for fun, while also saving for those "just in case" moments. As a parent, it is important to follow this initiative, so you can maintain a successful budget, while also splurging on entertainment and family fun for creating memories with your children.

One of the easiest ways to ensure that you don't overspend on non-essential items each month is by taking the residual income that is left from covering your monthly living costs and dividing it in half. Half of this income can be spent on doing fun things with your family, while the other half should be allocated towards financial goals you want to follow.

Craft a Savings Plan

Developing a savings plan is just as vital as organizing your spending strategy. This is essential in making sure you are not over spending on living costs and non-essential purchases. Creating the

perfect savings plan isn't always a simple process, but if you plan accordingly and complete the groundwork that is associated with your budget, your family can have more success moving forward into determining how much you want to save throughout the year.

To start, finalize a list of family-related expenses with a financial goal that you want to accomplish and determine an average for how much money each of those will cost. After concluding the costs for those total amounts, take the remaining money from your spending strategy and allocate 20% of that toward your savings and the remaining 70% towards the other financial goals you have. These goals may be saving for your child's future education, paying off debts or even just paying bills on time. Having a set saving plan for each spending category makes this step easier to complete, which is to open a separate savings account only for family costs and that don't include your personal ones. In doing so, seek options that are easy to use, mobile compatible for on the go organization and that have [no hidden fees](#) associated with account maintenance or overdraft. This will allow you to build up your savings without the fear of losing money due to these unnecessary monthly fees.

Share Your Plans With Your Family

To make sure you're in good financial health, ensure that your spouse and children are on the same page with your spending and saving strategies. Having the communication surrounding your financial situation will help make this process go smoothly. As this could be a tough conversation, never avoid financial discussions with your partner. This will give you a clear understanding of your financial goals and how they will equate to more success in the future. Coming to an agreement on money matters will make both parties feel equally involved with decision making, and strengthen your role as parents.

As your child becomes older, take time to start teaching your children about the importance of money management. Your kids may have purchases they want to make as well, such as toys and games, so discussing this with them will help them understand when they can and cannot have these things bought for them. While it may be frustrating for them to be told no at first, it teaches great finance skills and also allows them to start learning to save for things on their own.

Being a parent can be stressful, especially when it comes down to your family finances. Becoming financially savvy as a parent will not only help you in the short term but can also help instill good financial habits in your children in the long run.

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