Why We Must Teach Black Children Financial Literacy

Not everyone has the luxury of being exposed to basic economic principles during our formative years. But for people who do, it is their pathway to financial success. Over the years, Black children have been conditioned to believe that earning a college degree and becoming employed is the only way to be successful financially. But how valid or true is this assertion in today's world?

Public schools in the United States do not even offer the most fundamental financial literacy topics in their curriculums. With such a poor foundation, it is not surprising to see kids grow into adults who struggle with consistent unemployment, neck-deep in debt, over-spending, poverty, and other economic problems. Without a doubt the outcome would be different if children were introduced to money and how it works early.

The current fast-paced world we live in thrives on technology. There is almost unlimited access to information, so ignorance should never be a reason for a lack of financial literacy. Information is so accessible that even subpar educational institutions do not count as obstacles on the path of financial literacy. Instead, what can be considered a stumbling block is the decision of African Americans to hold on to unproductive worldviews and lifestyles.

Turning the focus of our youth to financial literacy and economic matters is the only way to break out of the multi-generational poverty cycle we have witnessed to date. This is why parents must be intentional about teaching their children the Rule of 72, also known as the compound interest law. For instance, teaching the basic knowledge of saving and long-term investment can stimulate the minds of African American children and ultimately restore financial literacy among the Black community.

Thanks to the current information age, parents can show their children the right way to view and spend money. With this, African Americans can become producers rather than hold on to the position of consumers. While the rate of Black business ownership has increased over the last decade, the youth are still unable to access valuable information required to develop a balanced perspective on financial success.

The only way out of these dire economic straits is to ensure our children get proper financial literacy by using tons of financial resources. For starters, children can learn about key financial concepts like:

1. Saving/Spending – Keeping a part of one's salary while budgeting based on the other portion.
2. Debt/Income – Identify what is owed against net income.
3. Gross/Net Income – Separate spendable income after taxes.
4. Consumer/Producer – Identify and understand the need to build long-term financial systems, rather than just spending away.

Moving forward, our children can also learn about the different sources of income aside from a regular job:

1. Employee – an individual working for a company to get paid
2. Business owner – a sole proprietor, limited liability corporation, and other statuses
3. Stock investment – putting funds into companies in order to acquire part ownership
4. Self-employed – independently contracted

The above can only count as an introduction but is enough to launch a vital discussion on how to improve financial literacy. This long-overdue discussion on encouraging African Americans to develop a sense of responsibility towards the current situation and future projections remains very necessary. Limiting outsider influence is the only way to prevent a repeat of the same financial mistakes African Americans have made in the past – mistakes that lead to long-time poverty.

It is not surprising to find that most adults have no strong foundation in finances, making it impossible for them to manage their financial life effectively. Furthermore, only a minority of the population can comfortably teach financial education. And at that, this minority must contend with insufficient funds and inadequate materials while trying to develop the proper curriculum.

Help Your Kids Learn About Money

Our community is constantly navigating a host of issues, from racism to marginalization and other forms of injustice, all of which stem from the failure to respect our collective power. The absence of real consequence for injustice means everyone is literally at the mercy of the powers that be.

How do we get out of this cycle?

The answer is simple: by controlling the money. No matter how you look at it, money is power. It is not a coincidence that the people who control money also control other things – media, police, community, business, schools, and politics. This, according to Dr. Claude Anderson, is racism.

In his popular book *Powernomics: The National Plan to Empower Black America*, Claude defines racism as: when one group holds a disproportionate share of wealth and power over another group and then uses those resources to marginalize, exploit, exclude, and subordinate the weaker group. The dire effects of this systemic and institutionalized racism against African Americans are visible every day.

To control the money, we must raise financially responsible children. There is no shortcut to building generational wealth other than equipping younger generations with the knowledge required to beat the oppressors at their own game.

How can you make your kids more money savvy?

Below are proven and practical ways to make kids financially literate starting in their early years:

1. Be a good example.

Kids learn faster and better from their parents. They watch what their parents do and how they do it and ultimately adopt the things they have seen. As parents, it is important to show financial literacy in your everyday actions and decisions. For instance, using credit cards often or complaining of bills and money all the time are simple things that kids will definitely notice. Parents who are frivolous spenders will teach their kids that that behavior is the right way to live.

So, why not develop and adopt a money system on the principle of budgeting? This will help kids understand the need to prioritize expenses and the reasons behind such priorities. It will also teach them discipline within and beyond financial matters.

2. Develop a value system.

It is easy to give kids money, but they may lose appreciation for it and its value in the long run. Instead, make them understand the value of every dollar they get. You can ask them to do chores around the house and pay them for it. Alternatively, money can be a reward for getting good grades in school or taking out the garbage. This approach will help them develop a sense of responsibility, and as a result, they will associate money as a valuable reward for hard work. Overall, the goal is to make them understand that everything is earned, and nothing will be given to them for free.

3. Don't buy them anything.

Let them make their own purchases – they will learn in a practical way how money comes and goes. Do not charge their expenses to your credit or debit cards. Instead, pay for the expenses using cash. Give them the cash and let them pay the bills. This way, they will see how easy it is to spend money. Lastly, encourage them to reflect on these experiences at the end of the day.

4. Introduce them to opportunity cost.

Ask your kids to compare their feelings before purchasing an item they wanted so much with their feelings after getting the item. Do they think the purchase was really worth the money? This will help them understand that every decision they make comes with a consequence. For instance, they know buying their favorite sneakers means they will miss out on their favorite video game.

5. Teach them money discipline.

There is general discipline, and there is money discipline. Buying them big ticket items is easier. But it is better to break these big purchases down into smaller amounts and help them create a savings plan towards their purchasing goal. Doing this affords you the chance to teach them about credit. You can lend them the money, and they can do chores around the house to pay it back. This is also an avenue to introduce emergency funds and their importance.

6. Discuss money protection with them.

Aside from teaching your kids how to source and manage money, they must also learn how to protect and retain money. Speak to them about insurance and why it is a crucial means of building wealth and sustaining the family's lifestyle if an emergency happens.

With the above tips, you can easily instill financial literacy in your kids and adequately prepare them for the financial journey ahead. More importantly, you will have created a solid foundation on which they can build financial freedom.