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9 Financial Words All Parents Should Teach Their Kids

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If there's one subject that has the ability to impact kids throughout their entire lives, it's personal finance. Unfortunately, most schools aren't teaching finance. This means the responsibility falls to parents. But many parents are reluctant to broach the subject, often because they don't feel qualified or they think talking about money will make their children worry.

The following is a list of terms that experts say every kid should learn.

1. Saving(s): Age 4+

Saving is one of the best topics to introduce at a young age. It's easy for kids to grasp and can have a huge impact on those who embrace it early. There are plenty of examples parents can use to illustrate: start by giving your child two small pieces of candy during the day. Let them eat one right away and save the other until after dinner. Then each day for a week, give them two pieces, but have them save one in a special place. When the week is over, they'll be excited to have a bag full of candy. Explain that saving money works the same way - when you regularly put a little bit aside, in time it will add up to something big.

2. Budget: Age 8

A budget is plan that you make to keep track of your money and where it's going. One great way to teach kids how to budget is with "give, save, spend jars." Whenever the child earns money they divide it between the jars. The "save" jar is money that's intended for a longer-term goal; money in the "spend" jar can be used any time for smaller purchases; the "give" jar is money that will go to a charity of their choosing.

3. Loan: Age 8

A loan is something that is borrowed, often money, which has to be paid back with interest (See #5 below). Most kids get the basic concept of a loan because chances are, at one time or another, they've lent something to a friend or sibling and expected to get it back. Start by explaining some of the reasons people take out loans. For instance, because it costs a lot of money to buy a house most people borrow money (take out a mortgage) to pay for it. Explain that while taking out a loan isn't a bad thing, stress that when you do take on a loan, it's your responsibility to pay it back.

4. Debt: Age 8

Loans and debt can be explained together. Like a loan, a debt is money that you owe someone that needs to be paid back. Once again, a mortgage can be a good way to illustrate how debt works. Parents should discuss their own mortgage with their kids by explaining that they borrowed money - took on debt - to buy their house and that they need to pay it back a little bit each month.

5. Interest: Age 8-10

Interest has two sides: it's either something you pay when someone lends you money or something that you earn when you lend money to someone else. Use this example: your sister runs out of her allowance but needs money this weekend. You could lend her $20 but charge her $2 in interest, which she will have to pay you back next week. You can also make it into a game to illustrate how it works: Ask to borrow a few dollars from your child's piggy bank and then set up a schedule to pay it back over the next month with interest.

6. Credit/Credit Card: Age 8-10

Credit lets you buy something without having to pay for it right away. Use this example: if you use a credit card to buy a new bike that costs $200, the money doesn't come out of your bank account. Instead the credit card company pays for the bike. Then they send you a bill and you have to pay them back the $200. If you don't pay them back right away, they will charge you extra money (interest). The longer it takes you to pay back, the more money you will owe in the end.

7. Taxes: Age 10-12

Chances are most kids know the word but few understand what taxes are. Here's the explanation: Taxes are payments that go to the government for the work that it does, such as improving schools and fixing roads. They're taken right from your paycheck and the amount you pay depends on how much money you make.

8. Stock - Age 12+

A stock is a piece of a company. When you own a stock of a company, you own a small piece of its business. Every stock has a price and that price can go up or down, depending on what's happening at the company. For instance, say you bought one share of Apple stock for $5. If the company sold a ton of iPhones, which is good for the company, it could make the stock price go up to $8, meaning you would have earned $3 on your investment. On the other hand, if Apple didn't sell a lot of iPhones and the stock fell to $2, you would have lost $3.

9. Credit Score: Age 15+

Once you plan to give your child use of a credit card, you must explain what a credit score is. Explain that there are three credit bureaus, which calculate your "credit score" or how you use your money. The goal is to have a high credit score - more "likes" by the credit bureaus. The way to receive more likes (a high score) is to have a long history of paying your bills on time. It's important to emphasize that a good credit score will help in the future if you want to borrow money to buy a house or a car. Meanwhile a bad credit score can make it difficult for you to borrow money.

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