

3 Red Flags Your Kids Could Have Money Problems

Is there a correlation between a child's spending habits and his or her future financial health?

By [Geoff Williams](#) | June 27, 2019, at 11:39 a.m.

If your kids have developed poor spending patterns, you may be concerned that they're on the path to be straddled with debt, lack budgeting skills or repeat other common financial pitfalls in the future. That's why it's key to start teaching youngsters crucial finance lessons early on and look for telltale signs that they may not understand how money works – before it's too late.

Here are red flags your child could have money problems later on, and concrete tips for teaching them how to manage money better from a young age:

Your child makes impulsive spending decisions.

You never talk about money or impart financial lessons.

You have poor financial habits.

Learn more about common warning signs of money mismanagement – and savvy expert strategies to fix past patterns and improve your child's finances.



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"How people handle money is consistent with their overall personality and character traits," says Len Hayduchok, a certified financial planner and president of Dedicated Financial Services in Hamilton, New Jersey.

If your child is overly generous, he or she may overspend or give money freely as an adult, Hayduchok says. On the other hand, if your youngster is impulsive and undisciplined, he or she may spend money rashly as a grown-up. And if your child is extremely fearful or cautious, he or she may be risk-averse when it comes to saving and investing money for the long term.

Keep in mind that making a couple of minor money mistakes (think: losing \$30 on an errand or spending money on Pokemon cards instead of saving for the future), doesn't mean your child is fated to be a financial disaster as an adult. But if you notice your teen is always losing a debit card or impulsively spending an allowance on discretionary items instead of setting money aside, it could be an ideal time to provide parental wisdom and sound money tips and advice.

You Never Talk About Money or Impart Financial Lessons

If you aren't discussing how to manage money with your kids, you can't be sure what they've been taught or what financial mistakes and budgeting blunders they're making. Your kid may grow into an adult who is bad with money, because he or she never had financial guidance growing up.

Chris Matteson, a financial advisor and owner of Integrated Planning Strategies in Edmond, Oklahoma, says that he and his wife give their son and daughter a small allowance, and sometimes receive money from family members over holidays and birthdays. "We basically let them manage their own money, but provide a heavy amount of advice before it is spent," Matteson says. "We feel it is best for them to learn the positive and negative consequences of their money decisions while they are young and when the dollars spent are smaller."

Still, Matteson says that he and his wife speak to their children about money every chance they get.

You Have Poor Financial Habits

If you've racked up debt or never created and maintained a well-rounded household budget, your kids may develop the same money patterns. "Look in the mirror. One sign to look for that indicates your kid will have money problems in the future is to look at your approach to money management," says Brian Walsh, a Philadelphia-based certified financial planner at the personal finance company SoFi.

If you're making impulsive purchases, arguing with a spouse about money or living beyond your means, those "are all actions that your children will observe and internalize as they develop their own relationship with money," Walsh says. "This has nothing to do with how much money you make, and everything to do with setting a good example and explaining the money decisions you're making on a regular basis to your child."

If you're wondering how to model good financial behavior, Chad Rixse, a director of financial planning and a wealth advisor at Forefront Wealth Partners in Anchorage, Alaska, has a few suggestions to prevent your kids from adopting poor money habits. He recommends showing your kids that hard work can translate into more dollars. You want to teach your kid that money doesn't grow on trees, Rixse says. "Have your kids do chores around the house, mow lawns in the summer, set up a lemonade stand with the goal of earning money – anything that can get them connecting the dots between work, money and lifestyle."



Rixse also recommends tasking your children to put away at least 20% of their earnings. It'll help them in the future, perhaps with college or another long-term financial goal, and you may get them excited about saving money. "Control this bank account for them until they can wisely manage it themselves," Rixse says. "Regularly show them the growing balance." With that said, it's important to allow kids to spend the remaining 80% of their money, but before they make major spending decisions, discuss smart ways to allocate their money and reach long-term saving goals.