

## **Money Matter\$ - 11 February 2021**

By Standard Chartered Bank

### **Title: Understanding the value of your Ang Pow**

In conjunction with Chinese New Year celebrations tomorrow, young adults, teens and children of all ages will probably be collecting a whole load of 'ang pow' from their friends and family. So with all the money, the question is – what are they going to do with it?

Undeniably, it's tempting for most to splurge their *ang pow* money on the latest gadgets or items. This is only normal and while there is no harm in going out and buying yourself a well-deserved treat that is within your means, this would be the perfect opportunity for parents to swoop in and teach their kids not to spend all their *ang pow* money as soon as they get the chance.

As your children will be eagerly counting their New Year dollars, now would be a good time to teach them about the value of money and control their spending habits remembering that the earlier you instil good savings habits in your children, the more it will feel like second nature to them.

#### **Putting it into a savings account**

The first thing that immediately comes to mind would be to place your child's *ang pow* money into their own savings account. This works especially well if your child is still young (between the ages 8 to 12). It might be a good idea to take them to the bank to allow your child to be more familiar with how the bank works. They will be able to see their money being deposited and kept in a safe place. Each time their money is being deposited, make it a point to show your child their respective bank book. By doing this, they are able to see the amount that is accumulated and that their money 'grows' when they save it in the bank.

#### **Striking a balance**

While saving is a good money habit for your child to pick up, it doesn't necessarily mean that they are not able to enjoy their hard-earned *ang pow* money. A good approach would be to talk to your child about what they would like to do with it and offer them a deal. Set a certain portion of the money that will not be placed into their savings account which your child can use to buy what they desire. This effectively teaches your child the basic principle of the great divide – or in other words, allocating your money. Soon enough they will learn to pick up the habit that you cannot spend away all of your money and that some needs to be set aside for other purposes. The principle of allocation should be a lesson carried on even later in life as you divide your income into portions for spending, saving, investing and paying off any commitments you may have.

#### **Allow room for some mistakes**

It is true when they say that sometimes the best way to learn is through making mistakes. So the next time your child is thinking of using his or her *ang pow* money to purchase an item that you know isn't worth it, provided the amount they intend to spend is not huge, resist the urge to step in with the metaphorical parental shoes to stop them. After all, it is better to feel the disappointment of wasting \$10 as opposed to a greater disappointment of wasting \$50,000 on a botched car purchase in future. When your child comes to regret their purchase, talk to them about what they think went wrong, what they should do next time. Allow them to come to their own conclusion that they should not use their money at whim and they should always make an informed decision before purchasing something. This will be a valuable lesson that can only be appreciated when you have learned the hard way.

Parents should be careful to not allow too many mistakes to be made. It's easy to assume that every child will eventually pick up good savings habits and learn the skills of controlling their money through their own personal experiences. While this may be true, it will be a slow and painful process. It is better to guide and caution your children not to spend their *ang pow* money foolishly. With constant guidance and advice, you can hope that soon enough your children can make sound financial decisions on their own money.

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