

HOW THE CAR CAN HELP YOUR KIDS LEARN ABOUT FINANCES



Money road show

FINANCES

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Parents spend hours in the car ferrying kids around and in this era of multi-tasking, there's no reason why this time can't also double as an on-the-go lesson in financial literacy.

The car offers inroads into many money topics – think the price of fuel, how much cars cost and additional expenses such as registration, insurance and servicing – which can then lead to lessons about tax, inflation, credit, depreciation and saving.

Car trips are also a great time to teach your kids about money because they can't escape and, if you ban electronic devices in the car, you should have their undivided attention.

Here are some tips to jump start money lessons for kids of different ages while on the road.

PRICE OF FUEL

For younger kids and tweens start by explaining that fuel is priced in dollars and cents per litre.

When you fill up, get them to look at the displayed prices and guess how much it might cost to fill the tank. Then tell them how many litres you bought, what the total cost was and see how close they were. If nothing else, they'll learn that getting them from A to B (and C and D) isn't free!

You could then explain that the fuel price includes taxes such as the GST and the fuel excise tax. This can lead to a simple lesson in what tax is (money we pay the government) and why we pay it (so the government can provide us with essential services like schools, hospitals, roads and public transport).

Teens will also benefit from this information, but test their maths skills by telling them how many litres of fuel you bought and ask them to estimate, by rounding the cost per litre up or down, what the total was.

You can also use fuel to teach

teens about inflation. Put simply, explain that inflation is an increase in the cost of goods and services and that rising fuel prices are a key factor in Australia's increasing inflation rate. And not only is fuel costing us more but because it's required to transport goods around Australia, higher fuel prices are also increasing the cost of food and other products.

HOW MUCH CARS COST

Younger kids find big numbers hard to conceptualise so it can be helpful to give them a tangible example such as the cost of the family car.

And don't forget to tell them how you paid for it. If you took out a loan you can explain that you borrowed the money from the bank, which you pay back each fortnight or month, along with extra money the bank charges, called interest, which is the "cost" of borrowing money.

If you paid for the car with savings instead, share how long it took to save up the money.

Teens will benefit from learning

whether the car was new or used, how that affected the price and what the value might now be.

This is essentially a lesson in depreciation – which is when assets lose value as you use them – and the reason second-hand cars are cheaper than new ones.

You can also explain that not all assets depreciate (for example, property).

The reasons cars depreciate is because they are built with a limited lifespan, are subject to wear and tear and the supply of cars is usually higher than demand for them.

ON-THE-ROAD COSTS

Then there are the additional expenses involved in keeping a car on the road. Teach both younger and older kids that on top of fuel, there's also regular servicing and unexpected repairs.

Teens can learn about car registration, which is essentially another tax charged by state governments to fund services.

Then there's compulsory third-party insurance, which is either included with registration or an additional, but mandatory, cost, depending on where you live.

On top of that is the optional expense of comprehensive car insurance. You can explain that this covers damage to your own car in the event of an accident unlike third-party insurance which covers damage you may cause to other vehicles or property.

Tell them how you pay for these annual bills, which add up to thousands of dollars a year.

Hopefully the answer is that you save a little out of each pay into a separate savings account so that when the bills roll in, you have the money ready to go. If not, perhaps the car can teach you something about good money habits, too.

Michelle Bowes is a personal finance journalist and author of *Money Queens: Rule Your Money*, the teen girls' guide to money, available in bookstores and online now