

How do I tell my kids we are currently short on money, without freaking them out? A psychologist explains

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I was a teenager during Australia's 1990s "[recession we had to have](#)," and remember clearly a friend asking his dad for some money to go to the

movies.

With equal parts frustration and resignation, the dad explained he'd been retrenched and wasn't certain employment was on the horizon in his near future. So he really didn't have any spare money for cinema tickets.

Rather than being scary or upsetting, as rather clueless teenagers this felt like something of a lightbulb moment.

Many kids learn about their parents [financial difficulties](#) this way. Something they've always been able to have is suddenly denied them. The penny drops.

But it's not easy talking to your kids about the cost-of-living crunch. Many fear worrying their kids or leaving them with a lifelong "scarcity mindset," where a person is forever cursed with a feeling spending money is always wrong.

So how can parents communicate the financial realities to their children? And how might the messaging be different with younger kids versus teens?

For younger kids, keep things calm and simple

Most primary-aged children are oblivious to macro conditions outside their home and immediate community. They haven't yet developed the ability to put sudden changes into perspective.

The key here is not to have your own anxieties rub off on your kids.

Children this age look to their parents as beacons of information and will very much [mirror](#) any fear or anxiety you express. They may even blow things out of proportion.

Keeping things calm and simple is key. Provide a basic explanation that things cost money, and you don't have as much money as normal right now, so as a family there are certain things you just can't afford.

Very [young children](#) can be relentlessly narcissistic in their outlook—this is developmentally normal.

They might even demand you work more or harder so they can afford their desired items and activities. The best you can do is laugh it off and offer to try—but explain that for now, the kids will have to come up with something else to do.

Consider a plan to substitute their previous activities with free ones. For example, explain they can't play their usual sport this season, but you are going to head to the local park every week to kick the ball around and have a picnic instead.

Ask teens for their opinions and ideas

Depending on their intrinsic interest in the news and understanding of math, finance and economics, a sudden and unexpected drop in finances may also come as a shock to teenagers.

But at around 12 years of age, children undergo somewhat of an explosion in [frontal lobe function](#). Their capacity to comprehend and process even complex information increases quite markedly. So teens may not only understand your current situation, but be able to help out.

Giving teens a "role" to play in assisting the family builds a sense of competence and offers a team-based problem-solving approach to the emotional concerns they may be feeling. In other words, they'll feel less powerless.

This approach is underpinned by what psychologists and researchers call "[self-determination theory](#)".

This well-studied concept posits that most humans have an innate need to:

- experience and demonstrate autonomy (making your own choices, acting on your own volition)
- competence (feeling like you're good at something, have achieved something worthwhile)
- relatedness (working well with others, especially people important to you).

So working as a team towards a common goal is a great way for a family to pull together and help each others' mental well-being.

Discuss with your teens what activities, events and items might need to go on the backburner or be discontinued. And don't forget, teens have a very well-honed hypocrisy radar—there's no point suggesting they cut back on [recreational activities](#), for example, if you are not willing to do the same.

Use this as an opportunity to discuss the difference between "wants" and "needs" and ask them to sort family spending into those categories. Discuss points of disagreement calmly.

Ask your [teens](#) to brainstorm ways to improve your financial efficiency—and help you in doing so. They might enjoy coming up with ideas such as grocery shopping with a strict meal plan in cheaper stores,

looking for specials, riding or walking to school where possible, getting a part time job or helping out with childcare.

Rather than fixating on what we have to go without, work with your teenagers to come up with proactive ideas on what you can do differently. Frame it as working together to achieve the same aim.

Teach your kids there can be challenges in life, but how you go about managing them is the key. This will help them develop into resilient adults.

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