

Kids and Money
Giving Them the Savvy to Succeed Financially
By Jayne A. Pearl

All credits go to Jayne Pearl, commentary provided by Leo Schreven

This is going to be a good book. I have had a lot of requests to do another book for kids and this one is very practical, so I hope you enjoy it!

Jayne A. Pearl teaches how to give your children financial roots and wings. These are two key words: When you read OOTS she means good financial information, values and ethics. When you read INGS she means encouraging kids to be confident, independent financial managers.

While Jayne Pearl information is thorough, some of it is specific to U.S. taxation laws and economic structures. However, most of the principles apply to a worldwide audience. Adults will love this as much as children, because we have often not learned the lessons of childhood and it is a great refresher for adults as well—especially in the area of spending.

Let's begin with a summary of the main points:

- Kids face an entirely different set of challenges and circumstances in the job market today than you and I faced when we were growing up. The tech and information age have changed everything. Giving your kids a heads up on this and keeping current is a great gift to give them.
- Our kids face issues that include: divorce, peer pressure, heavy advertising and a volatile job market in a fast-paced material world. Learning to deal with these things can make or break your kids' success.
- We will learn how to give our children solid financial roots by teaching them good values, character and ethics.

- Give your children wings by encouraging them to be confident, savvy and financially independent. With a generation of lazy, unmotivated, video-game, time-wasting kids, the cure can be to get them involved as early as possible in successful business and wealth building.
- Counter the influence of advertising by watching it with your children and talking openly about its messages. Challenge them to come up with the right answers and views of the things you listen to and watch together.
- Teach them to shop wisely by comparing different brands for quality and price.
- Allowances can hinder rather than help if you have children who won't do chores out of a sense of responsibility or even for the money.
- Help your children visualize their wishes and set attainable goals. Goal setting is so important in all that you do with a child.

Your Kids Face Complex Financial Issues

Kids face a number of complex issues these days. Divorce causes financial and emotional stress. Since almost 100% of our kids now come from broken homes it is an area that smart parents address carefully and help the children adjust to. Advertising bombards them from all directions. Most advertising is based on extremely dangerous financial advice that teaches kids instant gratification, no accountability, buying on credit, pay later, debt is okay, etc. Credit card companies recruit them at college and give them easy access to large amounts of money which they have not been taught to handle. So recognize that all of society is diametrically opposed to sound financial principles. You will have to purposely and consciously buck the tide of the secular world. Read good books with your kids. Have them attend a financial seminar or MLM seminar with you. Give them the best education resources you can.

Because of all this, our children won't learn adequate financial skills or responsibilities unless you teach them. As a parent, you must guide them through the complexities of the material world. Show your children how to make wise financial decisions. Teach them basic financial skills, including a good work ethic, strong financial values and sound financial management. In other words, be a role model they can follow.

Allowances and Consequences

Allowances can teach kids the value of earning their own money, but it can also have negative consequences. An allowance may send a message that a child doesn't need to do anything to be rewarded. Kids who expect to be paid for chores may nickel and dime you for everything you ask them to do. The book suggests you follow these allowance guidelines to avoid some of these problems:

Be consistent in how and when you give an allowance. Give guidelines how the money should be spent or not. Make your kids strictly accountable for every penny you give them and how they spent it. If they can't show where every penny went, suspend their allowance. Based on how they spent the money, give guidelines how they can do it better.

Agree with your spouse or ex-spouse on rules about money. A lot of parents send mixed messages on money rules so the kids are in conflict. Parents need to take time to agree on the rules and then unitedly share them with their kids. Avoid giving your children mixed messages.

Do not give loans and advances except in very rare, appropriate circumstances. Set up clear terms in advance if you lend your children money. Include repayment plans that they sign and commit to. The more you can make it like the real world the better.

Consider allowances carefully before you equate them with chores, behavior and grades. Give a base-allowance without any conditions or strings attached. Put chores under a category where there is no payment. Chores are part of being a family and everyone pulls their load.

If you own your own business, hire your kids. Encourage them to

have an entrepreneurial spirit and pay them based on their performance and production.

How to Save and Invest

As early as possible children should get into the habit of saving money. Teach them how to decide what amount they should set aside from their income. Instill in them the 10-10-80 rule, 10% to tithe, 10% to save, and 80% is the balance to do what they want. Instill in them the rule—Yourself First! Help them focus on short-term, attainable goals. They can figure out how much they can save in a week, or a month to get something they really want. Then they can work up to larger, long-term goals. Post a photograph that represents their goals to keep them enthusiastic about saving. Do not be surprised if your kids' savings plans go off-course from time to time. In fact, expect a failure or two and use that productively. Try these tips to set up a successful savings plan with your children:

- If your children have difficulty saving money, offer to match the amount they save. This can be a huge incentive.
- Make saving fun. Give them a new bank or a coin sorter. Depending on the age, a computer program or some kind of software can really inspire them.
- Share your financial decisions. Tell your children your successes and your mistakes. In our home, our daughter has been part of all our financial decisions from the beginning. We hide nothing from her. It is a huge education for her.
- Help them imagine or create a simulated investment in a company that interests them. There are some great tools for this online. My favorites are www.wallstreetsurvivor.com, or www.virtualstockexchange.com. Kids can enter competition and they learn very quickly.
- Set up a place for your kids to keep their money. Try a transparent container so they can see the money accumulate or, for older children, open a bank account. There is something psychological about being able to see your physical money that motivates kids and adults.

Accountability and Budgeting

To help your kids make a budget, ask three questions: How much will they save, spend, or give to charity? How much money will they earn and spend in an average week? What have they been doing with their money until now? Use these pointers to teach children to keep track of their money and to create a budget:

- Show them how to keep a record of their money, either on paper or with a computer.
- Help them make a budget showing income and expenses. The sooner you can teach them to produce an income and expense report the better.
- Help them track their expenses for a month, so they can see where their money goes. Most kids are blown away with just how much money it takes simply to live! Last year my wife and I took a vacation and had our daughter log every expense. She was completely taken back to see dozens of things she never thought of until it was all added up.
- Find ways for them to adjust their spending habits or to make more money if necessary. It is good to never tell your kids that you can't afford it, but rather to express admiration and support for everything they want, and then brainstorm together—how can we make that happen?
- Although we all hate taxes, teach your kids a constructive attitude towards taxes. Point out that when you use a government service, for instance the library or good roads to drive on, it costs the government. Teach them also the massive government waste, and then how to use the legal rules to avoid paying taxes as much as possible. Let them know that taxes and interest on payments are the two biggest financial drains they will encounter in life.
- When they are old enough, show them how to plan their taxes.

- Show them the difference between discretionary and non-discretionary income. Advertising bombards kids relentlessly during the average of 25 hours of television they watch each week. You can counter some of the impact of advertising by taking these steps:
- Watch commercials with your kids. Talk about them. Does the food really look like that? Can a shampoo make you happy? Did that toothpaste ever get a real girl to kiss you?
- Teach awareness of what is false and what is real. Show them the psychology of how advertising tries to get control of their minds and how to overcome it.
- Make a game of conducting your own product tests at home with different brands of the same item. Find out if the advertising claims match your results.
- Show kids how to examine labels. When they become aware of certain things like “High Fructose Corn Syrup” and you then show them how it causes many diseases like diabetes, dementia, obesity, etc., they can make better choices.
- Teach kids the difference between a need or a want. What is a necessity or what is a luxury?

Teach them to comparison shop. Kids don’t learn the financial facts of life from their school teachers. They do absorb, from various media and friends, lots of messages, values and attitudes, many of which you may vehemently disagree with. Children have a huge influence in the marketplace. *BusinessWeek* estimates that U.S. children younger than fourteen influence \$200-billion of spending by their parents and have \$20-billion a year of their own to spend. However, they are not necessarily spending it wisely. To help them cope with the material world, you need to:

- Set limits on what they spend.
- Say “No” when necessary. Explain why.
- Show them the importance of giving.

Whatever your income bracket and values about material things, it is crucial to help your children learn how to spend wisely. Teach them early the difference between an asset and a liability. Teach them to invest in things that put money back into their pocket, rather than take it out.

Diversify and teach them to create multiple streams of income. Teach them to successfully invest in Mutual funds and other market investments.

Teach them to be responsible with money. Be a model for good spending habits. Honestly discuss spending issues with them, even if it makes you uncomfortable. Teach them that not all money is for shopping or entertainment. We, personally, do not let our daughter spend more than 10% of her money on shopping or entertainment.

If they make a significant amount of money, be sure they are saving some of it. Demonstrate resistance to impulse spending. Wait for sales. Use coupons only for products that you would buy anyway. Teach them to negotiate.

Allow them to make their own, small instructive mistakes. Involve them in purchasing decisions so they learn to budget. Involve them in charitable decisions so they learn to give. Help them identify with good causes and what true charity is. Teach them that volunteering time is as important as giving money. Keep your eyes wide open to any possible financial difficulties your child may be having, such as gambling, shoplifting, over-spending or wanting what their friends have. There is a little saying, "Success breeds Success." Once kids taste financial freedom and have more than their friends, it gives them an identity that automatically gives them self-worth, leadership, and self-respect. Teach them the value of this.

Wings: When Your Kids Leave the Nest

Your children need a sense of financial confidence, independence and savvy. That will help them succeed in independent living. Age 16 or 17 is a good time to teach your kids how to use a credit card.

There are a lot of advantages to using a card—easy tracking of your money each month, free miles on airplanes, or dollars on a new car, etc. Put an extra card on your account, so you can monitor what they spend. Or, get them a debit card with limits on how much they can spend from an existing account. Let them participate in evaluating the features a credit card offers. Does it meet their needs? Is there a grace period? What is the interest rate? Follow these credit card pointers:

- If you co-sign for a card, negotiate with the credit card company. As an established adult customer, you may be able to obtain lower interest rates or annual fees.
- Teach your kids that credit is not free. Explain fees and interest. Show them how costs can mount up and surprise them. Show them how to keep track of credit card purchases, save receipts, and review their statements to make sure the bills are accurate. My wife picks up several charges every month that are wrong on our statement. I'm amazed at the amount of fraud there is and most people don't take the time to see it. Teach your kids how important this is.
- Make sure your teenagers keep charge balances lower than 10 to 20 percent of their monthly income.

College Costs

If you plan to send your children to college, it is never too early or too late to start saving money. The best way to do this is to utilize a personal banking system. (See the book we have previously done called, "Becoming Your Own Banker.") Although your kids can cover some costs through scholarships or grants, plan on spending cash for at least one-third of college expenses. Don't be discouraged by daunting amounts; just save as much as you can. When you are finished spending money on diapers or day care, put that amount in your children's college fund. Keep the savings in your name until the child starts college. Remember:

- The most expensive college is not necessarily the best one for your child.

- To cover costs, you can borrow from your pension or take out a home equity loan.
- Consider community college for the first two years. Community colleges are far less expensive than four-year universities. If your children want to go to a larger institution for their junior and senior years of college, community college credits are transferable.
- Personally, I'm against student loans except in rare situations. Far better to save in advance, or work a year and earn the money than to go in debt with student loans.

Job Hunting

Before, during, or after college, your children will enter the working world. You can help them find the jobs that best suit their needs. The job market today is entirely different from when you entered it, so be aware of how the rules and circumstances have changed. Avoid giving advice that might be inaccurate. When your children have big dreams, be careful not to shoot them down. They might not be the next Bill Gates or Oprah Winfrey, but their drive, ambition and role models will help propel them to success. Dreams have their practical side because companies today look for passion and enthusiasm in potential employees.

One of the biggest challenges today for parents is that we have a generation of kids that at age 30 are still living at home and not sure what they are going to do. This is terrible. Responsibility and accountability is something you need to teach early. If your children cannot decide what they want to do, help them create a job circle of their interests on a piece of paper. Start with their main interest in the center and then work outward in a circle as you brainstorm possible careers that match their interests. Identify areas of the job market that have a shortage of qualified people. In terms of constructive guidance, you can:

- Help them practice by setting up interview scenarios.
- Encourage them in their endeavors and discuss any fears they may have.

- Explore career options with your children.
- Encourage them to try work-study programs, internships, and summer jobs.
- Coach them as you would a client. Treat them with respect, and work together.
- Help your kids learn in advance about the companies they are interested in.
- Using the resources in a college career-center can minimize the cost of a job search.
- Other resources include employment centers, job fairs, classified ads, the Internet, job banks, and networking.
- Help your children make the connection between the jobs they want and the skills they have, or need to learn. One way to prepare for the job market is the “Ready, Aim, Fire” approach. This is a three-step process of discovery. For Ready, ask your children to write down all their goals and dreams. What would they love to do the rest of their lives? For Aim, help them find and research careers that relate to their passions and interests. And for Fire, show them how to tailor resumes to individual employers. Customize each resume to a particular job. Avoid fancy and hard-to-read fonts and use key nouns (titles, skills, and experience) that will be noticed. Target only those companies which truly interest your children. Help them prepare for information-gathering meetings as well as job interviews. If they want to explore a field before committing to it, help them arrange an informational interview.

I hear every day how hard the job market is. But I can tell you for sure it is not. There are so few competent, hardworking, honest, energetic, on time, successful people that if you choose to be extraordinary you can go straight to the top.

Most of all, early on you want to discuss with your children the need to create business systems rather than just having a job to go to.

Obviously if your child wants to be a doctor, veterinarian, lawyer, or teacher they have to get the education to do so, and they will work at a job in most cases. But inspire them young to build a business system that pays them residual income. Inspire them to be financially free.

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