When Should You Have "The Talk" With Your Children?

Recently I was meeting with a client – young enough to be my daughter – who happens to have a maturity about money far beyond her years. I'll call her Cindy. Because she is a single mom who happens to do especially well with her budgeting and financial decisions, I figured that her frugality was borne of necessity. When I asked her where she had learned her habits, though, her answer surprised me.

She told me that her own mom had gone through a bitter divorce when Cindy was only 15. When Cindy came to her asking for money, as 15-year olds typically do, her mom sat her down with her checkbook and bills. She told her, "This is what I make. This is what I have to spend it on each month to take care of you, your sister, and me. This is what I have left over. Now – do you see why I can't give you all of the extras that you want?" Cindy told me that she never forgot that lesson – and she made a decision right then that she would never be in such a position herself. Cindy has done quite well in life putting what she learned into practice.

I had a personal experience about the reality of money around that same age. My parents made sure I began earning all of my spending money when I turned 12. Dad opened a bank account at the local bank and deposited my checks for me, but he didn't teach me about the concept of reconciling my statement. One day when the bank's vice president, and a good friend of Dad's, had called Dad at work one time too many about my perpetual overdrafts, Dad decided it was time for me to take responsibility. He had the vice president speak to me about my bad habits – actually, I would say I got "chewed out" – and that is how I became motivated to manage my money.

Whatever route you take, the sooner you teach your children about the (financial) facts of life, the better you are preparing them to be independent and to make wise decisions. Unfortunately, what I find in my practice is that most parents give very little financial training to their offspring beyond the typical allowance. Their reasons range from embarrassment about how they personally handle their finances to lack of time to hesitancy about whether family finances are something that should even be discussed with children. Many parents want to have a discussion, but just don't know where to start. With that in mind, I have a few suggestions (of course)!

1. **Do** start your children with an allowance or some type of payment for duties system as early as they can do simple tasks. Gradually increase the responsibility and amount as they grow older. Note that I am <u>not</u> suggesting that your child not have responsibilities for which they aren't paid, but you might choose a couple of weekly tasks that are "above and beyond" to tie in to their allowance.
2. Encourage your child to save for special treats and DON'T GIVE IN when they want something before they have saved enough money. Children can adapt when they know the boundaries – it's the adults that usually have a problem!
3. Turn over more of the purchasing decisions to your children as they age. Help them to budget and save for the future, and teach them the value of giving to others. The sooner you let them know that they will be responsible for future pur-

chases (a car when they can drive, for example), the easier it will be for them to adjust to the idea of that future responsibility and work toward the goal. By the way, I'm a big believer in teen responsibility for vehicles, cell phones, expensive clothes, etc. If you're not sure you want to go that far, try these suggestions:

- Offer to match everything they save for their car up to a certain dollar amount – thanks to a client for this idea!
- Set a limit on what you will pay for, example, tennis shoes. My limit was $35 – any more and they paid the difference. (By the way, one of my sons actually learned to love the thrift store as a teenager – he bought his first house with a $50,000 down payment at age 25.)
- Same idea with a cell phone – you pay for the basic rate (which is all they need to be safe, right?) and they pay for excess charges, texts, etc.

4. When your children are old enough to really earn money (babysitting, lawnmowing, etc.), they should be ready to have "The Talk". These thoughts should help:
    - Let your child know in advance that you plan to have a serious discussion – no cell phones, answering the door to friends, or interruptions by the younger sister.
    - Let him/her know that you will try to answer their questions as well as possible because you believe he/she is mature enough for this discussion.
    - If your child asks a question that you are uncomfortable answering or don't know how to answer right then, don't freeze up. Just tell them that you will find out and get back to them or save it for the next discussion.
    - Finally, wrap up by "debriefing": ask your child what they learned so that you can find out if you are accomplishing what you hope to accomplish and also to dispel any misconceptions.

If you choose not to go the one-on-one route, other ideas are to take your child along with you on your tax appointment when you meet with your CPA or to your annual financial planning appointment. Be sure to let your advisor know in advance so he/she can prepare for the meeting and allow enough time. And be sure to lay out some ground rules in advance with your child (dress appropriately, everything said is confidential, take notes during the meeting, and ask questions at the end).

Giving money the silent treatment cripples your children for dealing with financial decisions as soon as they leave home. The lesson that I hope you will take from this story is to just do *something*. Just remember that they won't learn it in school… "checks" education begins at home!