

Assuming Our Responsibility

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You might as well admit it – if your kids don't learn about it at home, they're probably going to learn it from a friend or from personal experience – and who knows what will happen then? At least a teacher is someone they respect and admire and you won't have to go through that embarrassing talk about the mistakes you've made and the things that you don't know. And then there are all of those confusing terms and words...

Did you think I was talking about the birds and the bees? No, that's a topic for another writer. I'm actually talking about the 1,2,3's – financial literacy for our children.

In a 2010 American Express survey, parents of children between the ages 6-16 revealed that 91% of them are committed to instilling lessons of financial responsibility on their children. However, in Capital One's annual back-to-school survey for 2009, teens said that while they *prefer* to learn about money from their parents over friends, reading a book, or taking a personal finance class, only 24% said their parents discuss money management and banking concepts with them regularly. 13% of teens said their parents never discuss money with them.

In the October 2008 Business Journal, I wrote the article, "Teach Your Kids About Money" to make the point that financial education should begin long before college – even as early as preschool. Currently, only three of our 50 states have any form of mandatory money skills curriculum, which puts the responsibility squarely with us as parents. Money education goes hand in hand with discipline around money and setting good examples for our children. People who have poor money habits in the areas of spending, saving, charitable giving, and investing tend to pass those traits along to their children. As much as we would like to think the way to solve our financial problems is to discover all-star mutual funds, the reality is that the most important factor in successful retirement preparation is being disciplined to save. Or, as I tell clients, it's not what you make; it's what you *spend* that determines how much you'll have in life.

Through the years, I have had clients who have wanted to make sure that their children didn't have to "go without" during childhood in the way that *they* did. In trying to make up for a childhood where money was scarce, parents spoil their children by footing the bill for cell phones, cars, and designer clothes. Unfortunately, their children suffer a rude awakening upon graduation when they realize they are expected to assume responsibilities on their own and they are totally unequipped to handle them. Buying goodies for children that they do not deserve and did not earn does not empower them – it enfeebles them. Small wonder they have trouble handling their own finances.

The wave of young adults who left their parents with an empty nest only to move back home has spawned a new phrase – "Boomerang Kids". According to Monster's 2009 Annual Entry-Level Job Outlook, about 40 percent of 2008 grads *still live with their parents*. While this can be partly attributable to the recession, I believe the lack of a solid financial education has had the bigger impact. It's much easier to continue living where they have a hot meal every evening, the cable bill is paid, and someone else does the laundry. This does our children no favors. In addition, the move often occurs just at the time parents need to accelerate savings in preparation for retirement so they often jeopardize their future retirement at a critical moment.

Children, even those in college, do not have a good frame of reference for using money. If you have a nicer car or home than their friends' families have, they may assume you are "rich" without any understanding of debt, goal-based savings, or living beyond your means. If you have to cancel your

annual vacation, the assumption may be that you are “poor”. If talking about finances around your children is argumentative, or even a no-no, those ideas and emotions around money will lay buried long into adulthood, where they can be responsible for a myriad of problems and emotions around money that can be traced to innocent experiences years before. The earlier you begin teaching them, the easier it is for them to have a healthy relationship with money. As Sir Francis Bacon said so many years ago, “Money makes a good servant but a bad master”.

So how do you begin instilling healthy financial habits in your children? If you missed my September 2008 article *Teach Your Kids About Money*, you can find it on my website at www.milestonesfp.com by clicking on “In Print” on the left-hand bar. Beyond this, I recommend these excellent resources:

- ♦ Susan Beacham’s Money Savvy Generation website at www.msgen.com is an excellent place to begin. Ms. Beacham is a private banker who has dedicated herself to helping children and their parents learn basic concepts of personal finance. Her Money Savvy pig makes a great “teaching gift” for young children.
- ♦ The Jump\$tart website (www.jumpstart.org) is devoted to “Financial Smarts for Students”. I especially like the Reality Check, an easy to use calculator that puts the cost of living a certain lifestyle into easy-to-understand terms (www.jumpstart.org/reality-check)
- ♦ George Kinder’s The Seven Habits of Money Maturity is a great way for adults to correct their relationship with money by understanding what events in their lives led to their financial behaviors. I keep several copies for clients at all times.
- ♦ Rick Kahler’s The Financial Wisdom of Ebenezer Scrooge is so fun and fast to read that you forget you are unraveling your dysfunctional money habits at the same time.

So do yourself – and your children – a favor! Begin a tradition that grounded in financial literacy. It’s never too late to begin, and who knows? *Your kid* might just teach the kid down the street a little something!