



How to Raise Financially Savvy Children

Miserly Child Marvels at Savings Previously Spent on Soda

By kevin bourke

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Dear Kevin,

We're concerned about raising financially responsible kids, but don't know how far to take it. Any thoughts on strategy?

Is there anything more important to parents than their children? We all want the best for our kids. This issue of children and money is dear to me, since I have two daughters, ages 10 and 13. As a financial planner, I'm always looking for ways to teach my children the value of money.

Recently, I was playing the board game called *Life* with my daughter Rachael, and it struck me that there are some good lessons to be learned there. In the board game, a player can purchase a card with the word "stock" and a number between one and ten printed on it. The card costs \$50,000, and the player receives \$10,000 each time the spinner lands on the number printed on the card.

Lesson One: Invest early. The earlier a player buys 'stock', the more chances there are for the spinner to land on their number. When the spinner lands on their number 5 times, they have received their investment back, and **any time the spinner lands on their number after that is pure profit**. So, invest early in the game for a better chance at coming out ahead.

Lesson Two: Spend less than you earn. When it comes time to buy a house, each player is offered two choices of homes. The prettier the house, the more expensive the house. **When it comes time to purchase a home, which one do you suppose a child picks?** Yes, the prettier, more expensive home, leaving them less money to buy 'stock'. Another opportunity to teach a basic money lesson.

Of course, I wanted to teach a lesson with every spin of the wheel - my daughter just wanted to play the game. Eventually I had to set aside my teaching hat and just enjoy playing the game of 'Life' with my daughter. **The board game *Life* is not the only way**, or even the best way, to teach money lessons, but it is simple and fun.

In our family, we started offering cash to our girls in place of sodas at restaurants (for the record, we don't keep soda in the house). For example, if they chose to skip a soda at the restaurant, we would credit them with that amount of cash, and pay them a lump sum at the end of the month. We have been surprised with the great results we've seen with this simple practice. For one thing, our kids drink less soda, which is a good thing. After two months of this practice, our younger daughter received over \$22 in cash at the end of the month from her 'soda' account. **One day she said, "I**

can't believe how much we used to spend on soda."

Lesson learned. Score one for the parents.

Allowances are another thing to consider. Some believe allowances help children learn about money, some feel they do the opposite. For our family, allowances have been an opportunity for the children to learn simple budgeting. While they are not expected to pay for necessities out of their allowance, they are expected to pay for the occasional movie, game, toy, or even a clothing item. It does not take long before the kids learn that they cannot buy everything they see. In fact, my observation has been that **when the kids are in charge of their own finances, they turn downright miserly.**

What about when they ask for extra money, or for a raise? Our first inclination might be to dismiss this as whining. But, if we as parents are calm and approach this as a teaching opportunity, we can help them learn negotiating skills which may serve them later in life. **Some day they may need to ask their boss for a raise** Wouldn't it be nice if they had some experience with the process?

If a child asks their parent, **"What do I need to do to get an extra \$10 per month?"** won't the parent appreciate their serious mature approach? So will an employer. Or if the child does extra work around the house to earn money for a specific goal, doesn't everybody feel better about it? So rather than viewing their request as a sign of immaturity, why not view it as an initiative?

We also practice matching their savings for a specific item, similar to when an employer matches contributions to a 401(k). When the children want something big, we agree on a matching ratio, and they start saving. We might even offer to give them \$2 for every dollar they save. This seems to work well.

Finally, and maybe most importantly, kids imitate what their parents do, for better or worse. Why not discuss your own savings discipline with your children? Better yet, teach by example.

Now if the board game *Life* just offered a 401(k)...

Kevin Bourke is a registered principal with and offers securities through LPL Financial, Member FINRA/SIPC.