



Teaching Our Children About Money: Part 2 of 3

(by Michael Collie for WNC Parent, September 2005)

Editor's note: This is the second story in a three-part series.

Last month we discussed why it is so important that we teach our children about money. How we handle our finances is a key life skill that affects all areas of our lives, including our marriages, career choices, our current and future lifestyles, our ability to accomplish long-term financial goals and, ultimately, our lasting impact on future generations. We looked at how our children are barraged with marketing campaigns that attempt to breed an over-consumptive materialistic society that makes financial decisions based upon emotional response and impulsiveness rather than sound financial principles. Finally, we acknowledged that the responsibility to teach them is squarely on us as parents. We need to engage our children and proactively counter the message they are receiving from the world around them. This month, we will focus on how we can prepare ourselves to teach them about handling money.

Why do we need to prepare ourselves to teach our children about money? In order to teach something, we have to understand it ourselves. Think back to how you learned about handling money. Did you learn from your parents? Did you learn in school? How many of us as parents feel confident that we are making the right financial decisions? If we do, how many of us communicate well about money with our spouses, let alone take the opportunity to teach and train our children? The following three steps can get us ready to talk the talk and walk the walk.

1) We must first realistically address how we handle our own money. Are we keeping a budget? Do we know where our money is going on a monthly basis? Do we plan and save for major purchases or do we buy first and figure out how to pay later? Does money burn a hole in our pockets? Are our priorities in life reflected in the things we spend our money on or do we compartmentalize our faith, hopes, dreams and finances separately from each other? These are all tough questions to ask ourselves. However, tough as it may be, we must have our financial house in order, or at least have a plan to do so, or we may end up affirming to our children the very message we are teaching against.

2) Once we have a firm idea of what kind of shape our financial life is in, we can begin to build and repair where necessary. But where can we turn to improve our own knowledge base? First we can seek the help of a Certified Financial Planner™. A CFP® has been trained to look at your overall financial situation and not just one specific area irrespective of other areas (areas such as goal planning, investments, insurance, retirement and college planning, etc.). Spending just a couple of hours with a CFP® can be a tremendous investment to make sure you have the right plans in place.

There are a lot of good reference books and websites available also. Unfortunately, there are a lot of reference sources out there that are not good. For example, if a very popular "financial counselor" on television encourages viewers to file for bankruptcy, someone who believes that we should repay what we owe should not be taking advice from this source. It is all too common for the biggest personality to be the one giving the most advice, but the source may not be spouting off sound financial principles. Start with authors or organizations that share a worldview perspective that is similar to yours. They will likely have an approach to finance that will help move you in a direction that aligns with who you are as a person. Some sources that I have found to be very respectable and consistent in their counsel are www.cfp.net, www.crown.org, www.fpanet.org/public, www.napfa.org, www.cfpn.org, and www.aarp.org. In addition to providing great advice, these sites can refer you to a competent professional who can partner with you in defining your personal financial goals.



3) Now that we know what we do and do not need to teach our children, we must commit to consistently exhibiting these sound financial principles. Spouses should make financial decisions together so that their children will see how to effectively communicate about money. In many homes, money is something that parents don't talk about with their kids. "I mean, come on, they are kids. What do they understand about money? Why do they need to know about this stuff? This is my money and this is private stuff that we just don't talk about." We need to proactively incorporate our children into discussions about money and seek out teachable moments where we can share principles and concepts with them.

It is our duty as parents to engage our children and take advantage of opportunities to teach them so they do not fall prey to our materialistic society. By doing so, our children will be well-prepared to overcome the financial challenges life will present them with. Next month we will discuss specific ideas we can use to teach our children, thus ensuring that they will be well-equipped to deal with financial issues as they become adults.

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