

## Teaching Our Kids About Money

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With kids heading back to school this month, this is a great time to reflect on how we are doing at teaching our children throughout the year. What life skills are we trying to teach them? One of these key focuses should be teaching our children about money. Let's look why and how we prepare ourselves to teach our children about money and what are some steps we can take to ensure that our children will be well-equipped to deal with financial issues as they become adults.

### Why do we need to teach our children about money?

1. **What does our understanding of money affect?** First of all, we need to realize that money is all around us. We work for it. We use it to provide for our families. We use it to help us achieve our goals in life. You've all heard the saying that money makes the world go 'round. How we view, handle and communicate about money affects our marriages, our career choices, our current and future lifestyles, our ability to accomplish long-term financial goals and, ultimately, how we, and subsequent generations, fulfill our stewardship obligations of that which our Lord has entrusted to us.

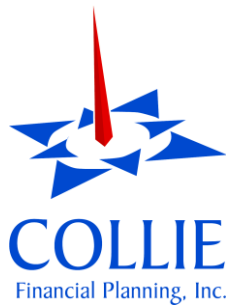
All of these things tell us that we will, on a daily basis, be forced to make financial decisions that will have major effects on every area of our lives. Understanding sound financial principles is absolutely critical to our financial success. Our children, if equipped with an accurate view of money and an understanding of how to handle and communicate about money, will be well-prepared to face many of the eventual challenges of life.

2. **Are our children getting the right message now?** Make no mistake about it, our children are learning what money is all about right now. We live in a society that is more consumptive than any other in history, and the retail industry wants to make sure that continues throughout future generations. Consumer debt is greater than it has ever been. This is largely because we are barraged with ads and marketing that stretch our wants beyond our ability to buy. Marketing campaigns capitalize on emotional response and impulsiveness rather than sound financial principles. The product manufacturers and retailers don't care. The greater our consumption level, the greater their profits are, regardless of the financial strain it may place on our families.

Our children, having no sound financial principle foundation, are prime targets for this marketing push and materialistic evolution. They are constantly bombarded by advertisements in stores and on television. Have you noticed that you spend more money at the grocery store when your children are with you than when you are shopping alone? Marketers and retailers know this and exploit it to no end. We want to give our children the things they want, we want to see the smiles that stretch from ear to ear when they get that new toy.

Meanwhile, our children are watching and learning. They are watching us, our neighbors and their friends at school. They see the ads on television. They are being groomed to be an even more materialistic generation than ours.

3. **The responsibility to teach them is on us, the parents.** 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? 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."

If we don't engage them and take advantage of opportunities to teach them, they will likely fall prey to our materialistic society. Conversely, as we are told in Proverbs 22:6, "Train a child in the way he should go, and when he is old he will not turn from it." We need to acknowledge how important it is to teach our children about financial issues and make an effort to counter the message our children receive from the materialistic world around us. By doing so, our children will be well-prepared to overcome the financial challenges life will present them with.

#### How do we 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 and Biblically based financial principles. Start with authors or organizations that share a Biblical 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](http://www.cfp.net), [www.crown.org](http://www.crown.org), [www.napfa.org](http://www.napfa.org), [www.kingdomadvisors.org](http://www.kingdomadvisors.org), and [www.masteryourmouney.com](http://www.masteryourmouney.com). 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

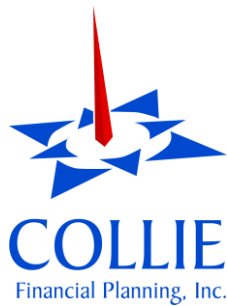


parents don't talk about with their kids. "I mean, come on, they are kids. What do they understand about money? Why do they need to know about this stuff? This is my money and this is private stuff that we just don't talk about." We need to proactively incorporate our children into discussions about 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.

#### Four basic financial skills we need to teach our children:

- 1. How to develop a spending plan.** The best way to do this is to utilize an envelope system. There are also "piggy banks" that can be used in place of the envelope system. Our three boys each have an ATM bank that can be ordered from crown.org. This system should divide their spending into at least three categories: spending, saving, and giving. This is what parents primarily spend their money on for their kids. Figure how much you will spend on or for your children in each of these areas throughout the course of the year, not including birthday or Christmas gifts you will buy for them. An example might look like this: clothing and shoes (\$1,000), gifts for Holidays and friends' birthday parties (\$200), spending - Fun Depot, toys, movies and candy money (\$300), summer camps (\$500), saving (10%, \$250), and giving (10%, \$250) which totals \$2,500. Divide this \$2,500 by 52 weeks and you get roughly \$50 per week. Now you're asking, I'm going to give my child \$50 per week, are you crazy?!?! Look at it this way, you're spending the money either way. Do you want to spend the money and help them develop the ability to live on a spending plan, something that most parents themselves struggle with their whole lives, or spend the money and not teach them anything at all, except of course that Mom and Dad must have a money tree around here somewhere and I can milk them for whatever I want! Next, help them complete a budget that plans for the distribution of this \$2,500 over the course of the year.
- 2. How to buy wisely and make financial decisions.** Now that the child has the opportunity to make the spending decisions, with their parents' guidance they can learn how to make smart purchases. They will be faced with the real dilemma of choosing between those \$150 sneakers they *want* or the \$50 on sale sneakers they *need*. They may plan ahead and save money by buying size-up winter clothes on sale at the end of the season, rather than paying full price at the beginning of the season. You will be absolutely astounded at the ability of your children to pick this stuff up and make wise spending decisions. For example, several years ago our oldest son saw a \$20 toy he *really* wanted. I didn't think he would really play with it that much, but this was going to be a teaching opportunity. I asked him if he thought that was a smart way to spend his money, and he whole heartedly said yes. A month later, as the infrequently played with toy sat in his closet, he said, "Dad, I wish I hadn't wasted my money on that toy, that wasn't a smart decision. I should have saved that money for something else I will use more." That was unprompted and a true example of how he spent his money and learned a valuable lesson. Had he experience this with my money, rather than "his money", he would not have learned the lesson. He has not made the same mistake since.
- 3. How to set financial goals.** If your child wants something that fits outside of this spending plan, they will learn to save. They will learn the value of delayed gratification. Say for example the child wants a new baseball bat that costs \$200. If they can defer from spending money on toys and candy, and place \$25 per week into savings, then they can reach their goal in a relatively short period of time. What a valuable lesson for our children to learn!
- 4. It is important to give to others.** Because giving is one of the envelopes, your child will learn that it is important to give. This can open up conversations between you and your child on why we should give and



who we should give to. When your child takes money out of giving for a worthy cause, and then decides to take a little bit extra out of spending because their heart has been touched by the need of others, you will be blessed beyond description. And they will be developing the kind of character we pray our children will have as they grow into adults.

The time and effort that you take to learn sound financial principles, apply them to your lives, and teach them to your children will be well worth it. By applying these steps and sharing these principles with your children, they will be well-equipped to start a life headed toward achieving financial freedom.

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