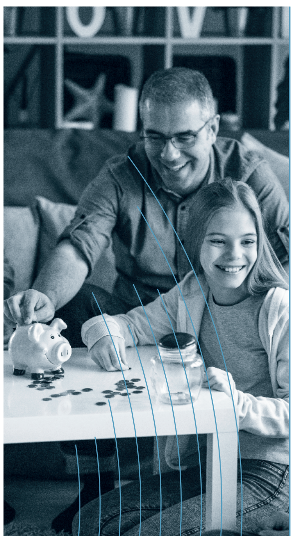
Transfer (More than Just) Wealth to Your Children



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I AM THE PROUD FATHER OF TWO precious little girls, and there are many life lessons that I want and need to teach them, especially while they are young. My oldest turns 10 this year, and I'm struck with nostalgia: the memory of her learning to ride her bike without training wheels — the precocious, little girl with sun-bleached, curly brown hair poking out from under her self-decorated, purple helmet and Dad running alongside.

Of course, there are many more important lessons than two-wheeled transportation, including teaching children how to manage money, which I believe is one of parents' most important responsibilities. However, a survey by TrueCredit.com found that only one in five parents with children between the ages of four and 18 have ever talked with their kids about money basics. I cannot imagine raising an illiterate child, so why should financial literacy be less of a priority?

It appears that part of the problem is that parents do not know how or when to start. For me, it was clear. When I found myself in Target with this baby at age 3 asking — more like demanding — things, I realized it was my cue to inform her that things cost money.

In the book, *Money Still Doesn't Grow on Trees: A Parent's Guide to Raising Financially Responsible Children*, the author recommends starting their child's journey to financial literacy by explaining that money must be earned. So, whining for that Elsa doll does not mean you automatically get it.

Teaching children how to manage money is one of parents' most important responsibilities.

The realization of how to present this concept in a way that a 3-year-old could easily understand came when she inquired about, and immediately developed a fascination with, "spare change." We were able to use those nickels, dimes, and quarters as a reward system for various tasks she completed. Then, to demonstrate how money is used, she was allowed to purchase random trinkets — or her favorite, deposit them into parking meters (everybody wins!).

Start your child's financial education journey by explaining to them that money must be earned.

Now that she's older, the price tags are growing, but so is her ability to comprehend more advanced financial concepts, budgeting being the logical next step. Sheyna Steiner at Bankrate.com contends that it is fairly easy to train young children to budget, and suggests you start with "putting cash in kids' hands."

One of the best ways to deliver cash is through an allowance. According to Neale Godfrey, founder of the Children's Financial Network, allowances serve two purposes: They teach kids to work for money, and they can be used to introduce and enforce good budgeting habits. The amount, of course, is a matter of parental discretion, but somewhere in the range of 50 to 100 percent of the child's age in dollars on a weekly basis may be appropriate.

Experts have also found that when it comes to budgeting, tiered systems work best. This means including components for charity, regular spending, and long-term goals. This way, from their very first dollar, the child learns to not live paycheck to paycheck by spending all the money. Rather, they learn how to allocate their resources in a responsible manner. Having an allocation for charity instills philanthropic tendencies from an early age.

Fast-forward a couple years from child to teenager, from piggy bank to savings bank. Hopefully your teenager already understands the fundamental concepts of spending and saving, but she also could be interested in earning more money than is possible through an allowance for odd jobs. Jobs are more than a source of income; they teach lessons like time management and personal responsibility. Taking on a part-time job and managing the proceeds in a savings account will teach your adolescent to set goals and monitor their savings progress over time.

As our culture becomes more consumer-driven and society expects and encourages instant gratification, it becomes more and more difficult for our kids to become and stay financially disciplined. However, when we, as parents, provide direct and personal examples of earning, saving, spending, and giving money, we are able to insulate our next generation from major financial mistakes and promote their development into financially responsible adults.

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