

How Do I Teach My Kids How To Handle Money?

It's a good topic and one that comes up often in my work. Kids today frequently have access to more money than many of us did growing up. At the same time, they seem to be less disciplined when it comes to managing it. As I considered the reasons, I realized that one issue might be that we have become disconnected from our money.

Flash back to the 60s to a time when we didn't have credit cards. Dad was probably the breadwinner. He went to bank with his paycheck and deposited it. He came home and sat down to pay the bills. Nothing was automatically debited and if he owed the department store money, it was a charge account. They'd send a bill and he'd pay the balance in full. The only long-term credit was through a bank if he borrowed to buy a house or a car. He'd have some cash in his pocket and he'd give the kids and mom an allowance. When the money ran out, you did without until the next payday. *You just didn't spend more than you had.*

Flash forward to 2013... Maybe mom and dad are both working or maybe you're living on money you inherited or acquired through being wildly successful in your career. Your salary is automatically deposited. Your bills are automatically debited, which is not necessarily a bad thing, but what's missing is the old check register with a running balance.

You have credit cards and charge everything, paying off very large balances for the benefit of getting airline miles. Often this is at the expense of savings unless you're smart enough to move that money out before you can spend it. It's the old adage, "If I still have checks, I must have money," except that now we have credit cards with no limits. What's missing is a budget with a self-imposed monthly charge limit.

Okay...back to kids and money. This might work fine for you with your sizable income and successful career, but your kids will suck you dry if you don't go back to the 60s scenario and teach them the connection between money and the things they buy. As one of my clients put it recently, when asking me to work with her son, "We make lots of money, but if our son spends it all now, he will be supporting us when we retire."

Now the tips:

1. *Kids want to know what's expected of them.* Give them an allowance and be clear about what they must cover with this allowance. Be ready to say NO when they come back for more money before the next "payday."
2. *Teach your kids the difference between "needs" and "wants."* When you take them shopping, give them cash or a set amount to spend. You'll be amazed at how many things they leave behind when they know they only have so much money.
3. *Give up some things yourself* so you they can see you making choices. Don't let them hear you say that it's a slow month at work and then load everyone in the car for dinner and movie. If it's a slow month at work, use that as a chance to say that we're

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going to eat at home tonight and rent a video instead of going out. Kids learn by example.

4. *Once your teenagers start working*, encourage them to open a bank account, start saving via a money market account or IRA, use a debit card, and monitor their accounts online. Suggest they use their bank's smart phone app.

And the bottom line: Use every available opportunity to keep the connection with money alive. If you play your cards right, your kids will finish college, get jobs, and get off your payroll!