Money and Meaning

By Thayer Willis

Raising Financially Responsible Families

Thayer Willis is an internationally recognized author and expert in the area of wealth counseling. Her book Navigating the Dark Side of Wealth, has received excellent reviews. Since 1990, she has specialized in helping people of all ages handle the psychological challenges of wealth. Born into the founding family of Georgia-Pacific Corporation, she has a unique insider's perspective on the privileges and tragedies that wealthy families encounter.

The most important values in life are caught, not taught. So the most effective means of raising responsible families is by example. The basis of financially responsible families is financial literacy. The building blocks of raising financially responsible families have been well mapped by many, and the logic of the steps is easy to understand. Many parents find it challenging to find the discipline to follow the steps. If parents are serious about imparting financially responsibility to their children, they will focus their attention and energy on the examples they are setting. The best time to begin to raise financially responsible families is when the children are very young. The effort can be successful with older offspring, but it is so much easier when they are young. Professionals who work with the family can support this financial literacy education by bringing up topics and leading discussions.

The early building blocks are the same in successful, wealthy families as they are in most families where financial literacy is a priority. For the first fifteen years of a child's life, the financial steps to responsibility are pretty much the same no matter what the family's financial circumstances are. The first practical step is giving a child an allowance with experience saving, spending and giving money away.

Saving. Encourage saving on a regular basis, so that it becomes a habit. Parents can help saving become compelling in many ways: they can save with the child for a special trip that the child wants, like a vacation to a certain place or an item agreed upon by the savers, perhaps a dog or an electronic item. Parents can match funds that the child puts into a savings account. With children who are able to add and multiply, review the compounding principle with them. Teach children the words "no" and "later." Don't underestimate the power of spendthrifts to drain a fortune.

Spending. Parents benefit by becoming choosy consumers and coaching children to become informed and choosy as well. Differentiate between needs and wants. Don't waste money. Encourage parents to give ample consideration to the funds that leave their hands so they can teach their children to do this as well. Waste not, want not. Cultivate a grateful spirit.

Giving money away. Teach children to be generous with those who are less fortunate, to support causes they choose. Show the families you work with how to use a family philanthropy program and make giving decisions together. This kind of program can start very small and expand as the children grow. It can even expand to include investing the funds that will generate the income to be given away.

Keep records. Make sure each child is keeping a ledger. The old-fashioned ledger book is a record kept of all money (allowance, earnings, gifts), which comes into and goes out of his or her life. Parental assistance will be required at first. The ledger teaches the value of a dollar. This can progress into a more sophisticated method of checks and balances, such as a checking account or even a credit card: to be paid in full every month. Give children experience with a budget.

No debt. Teach the perils of borrowed money. This includes credit card debt. One card is okay for convenience as long as the child pays it off in full every month. Teach children how to handle unsolicited credit card offers: return to sender with a response of "no thanks!" or shred. Never borrow against depreciating assets, and openly encourage this behavior in children.

Earn money. Among its many functions, earning money is a rite of passage. Receiving pay for work is a self-esteem builder, and an important component in the precious goal of competence. Be sure at least one parent has some kind of job. Though experience working in the family business is valuable, offspring need to also work for someone outside of family. Teach banking early. Have children earn half of the funds they spend on a big ticket item.

Invest. Before a child begins investing in public offerings, provide business experience and copious reading in investment texts. Encourage parents to invest in their children's business or allow the children to invest in parent's businesses. Study the common investment together, and share the profit. Then, encourage investing in stocks and bonds on a regular basis and use the dollar cost averaging method.

Identify and clarify values. Both parents need to coordinate values as well as possible, and be consistent. Parents can be creative in using their wealth to teach their values: some examples include philanthropy, cash rewards for accomplishments they value, and achievement-oriented travel. Show children the benefits of doing work they love and the dangers of greed. Service and sacrifice are the values that count.

Develop community service. Help children gain perspective on what is truly important in life. Show children by example how philanthropy follows. Teach a give/save/spend ratio. A high priority on community service will deepen this message tremendously. Encourage parents to teach children to learn to live on very little. Teach kindness and gratitude.

Learning these steps of financial literacy will set family members apart from their peers. Most young people will not learn to manage their financial lives in these responsible ways. So it is important to alert your kids to the fact that when their peers are submitting credit card applications for "free money," yours will understand the way this actually works. Temptations and entitlement for them will be minimized by the process of studying and practicing financial literacy.

There are excellent books which supplement examples and teaching offered by parents. The first is a fantastic book with a horrible title. The Complete Idiot's Guide to Money for Teens by Susan Shelly is well organized, clear and comprehensive. Another book teens benefit from is The 7 Habits of Highly Effective Teens by Sean Covey.

Additionally, a wonderful resource for today's screen-oriented kids is movies. Some of the first movies to watch and discuss are *The Ultimate Gift*, *Greedy*, *Wall Street*, *The Pursuit of Happyness*, *Born Rich* (documentary), and *The Ascent of Money: A Financial History of the World* (documentary). When parents watch these films with their kids, the discussion afterwards is extremely important. Coach parents to ask open-ended questions like: How did [the main character] evolve in the story? What revelation did you see a character experience in the movie? How did this affect the story? What conflicts did you see in the movie? How were they resolved? What was a major theme in this story? What did you learn about your life?

In addition to following up on books and movies, there are valuable discussions you can have in your family. After identifying and clarifying values, parents can ask everyone the question, what does wealth represent to you? Attorneys can read trust documents together with the family, paragraph by paragraph, to make sure everyone understands them; identify and discuss risks; and help family members define what freedom means to each of them. Another valuable activity is to draw the family tree and identify family traits. Financial and legal vocabulary specific to the family can be studied as a way to prepare for meetings and communication with professionals.

It is helpful to map out a program of financial literacy education at the beginning of the journey and meet at regular intervals, annually or quarterly. For each family, the important topics will vary somewhat, and it is most effective to appeal to everyone's interests, perhaps in a rotating manner. Providing financial and legal education so that families can develop this responsibility is a service clients will greatly value.