

Kids and Money: Simple Ways to Teach Your Children Financial Responsibility

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As parents, we all want our children to grow up to be financially responsible and independent. Research studies have found that self-sufficiency – the ability to care for oneself – is a prerequisite for happiness and fulfillment in adulthood. However, long-standing social mores (e.g., “it’s not polite to talk about money”) and/or a sense that kids will “pick up what they need to know along the way” can result in some missed opportunities to develop important values and skills during the formative years. By being a little more intentional, parents can improve their children’s chances of becoming effective stewards of their money as adults – and even create some opportunities for fun family interactions.

Model the Behavior You Want to Develop

Wealth is about so much more than money; families report feeling truly wealthy when their attitudes and actions relating to money are in alignment with their fundamental values. Similarly, children’s attitudes about money will reflect those of their parents. Instead of viewing money and family finances as a forbidden topic, try discussing your family’s financial goals and plans with your children in age appropriate ways. The level and amount of information shared is, of course, up to you, but the idea is to involve your children in at least a portion of your plans. How the family discusses things like the monthly budget and bill-paying, family vacations, major purchases, charitable giving, etc., will serve as important lessons about money management and the value of money.

Encourage Savings and Investments

Most of us would agree that children need some sort of allowance, at least until they are old enough to begin earning money of their own. However, research has shown that kids who are financially subsidized without being held accountable often grow up financially dependent. Consider viewing allowances as a learning tool, rather than an entitlement. For younger children, you might designate a certain portion of their allowance for savings, another part for sharing (planting the seeds of philanthropy) and another part for spending. Help them set and work toward modest, attainable savings goals. For older children, encourage the development of a long-term savings plan for the purchase of bigger-ticket items like computers or cars. You might make occasional “matching grants” to encourage regular deposits, especially if your teen has a part-time job. And sharing your knowledge of investment basics might hold their attention if you focus on companies that sell products they care about (e.g., toys, clothing, electronics).

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Impart a Healthy Respect for the Value of Money

Left to their own devices, kids can spend their money impulsively. But resist the urge to dictate your children's spending habits, and instead, offer some practical guidance geared toward helping them develop responsible spending habits. If your son announces, for example, that he intends to spend his entire allowance on a gumball machine – something you suspect is simply a passing fad – rather than forbidding the expenditure, try asking some questions designed to get him to think more strategically about his decision: How does he plan to use it? Is it something he thinks he'll be just as excited about six months from now? What is his plan for keeping the machine stocked with gumballs? Even if he ends up making the purchase as planned, he will have benefitted from the experience of being more thoughtful and less impulsive in his decision-making. And sharing your own similar thought processes with him before making household purchases will reinforce the behavior.

Show your kids what a simple budget looks like and help them develop a realistic one for living within their means. Keep goals visible by using charts that plot the growth of funds needed to buy something they really want or to track the growth of any investments they make. Encourage your children to compare prices and products offered by different stores or online vendors before deciding what to buy.

Involve Your Kids in Giving Back to the Community

Philanthropy is perhaps the most effective tool for parents to teach financial skills AND impart important values like empathy, compassion and gratitude – all while having fun as a family. Whether your interests are in youth sports, education, religious activities, social services or the environment, children of all ages can engage in conversations about where the need is, how to decide how to allocate the family's limited charitable giving dollars, and how to evaluate the potential impact your gift might have on a particular organization or cause. They can help with research, and as they get older, can do some research of their own. And if you're like many families, financial support leads to volunteering together, which is the stuff that life-long, fond memories are made of.

For More Information

WTC has been providing philanthropic services to its high net worth families for over four decades. If you are interested in learning about the myriad ways in which we help clients achieve their philanthropic goals -- including advisement, facilitated family discussions, investment management and investment consulting services, foundation administration and regulatory compliance support -- please call us at: (626) 441-5188.

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