

Are your children prepared for successful financial futures?

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A Pew Survey conducted in 2007 found that 73% of adults aged 18-25 required financial support from their parents that year. A commonly cited source of young people's financial woes is a lack of fundamental economic understanding. This issue affects families of all economic means. However, in wealthier families, it can be even more important – and complicated – for children to understand the responsibilities that come with having and managing money.

At the end of Financial Literacy Month in April, Baird spoke with Sharon Lechter, Founder and CEO of Pay Your Family First, a financial education organization, about the most important lessons these young people can learn.

What You Should Know:

1. Give children the freedom to make mistakes.

It is natural to want to protect children. But there is a saying that goes “Let them stub a toe at home to avoid a broken leg out in the real world.” With this in mind:

- Make sure children understand the basics of cash flow and debt, particularly the fact that credit cards are not “free money.”
- Give them a set budget and let them make decisions about how to balance it.

- Help them understand that the decisions to spend, save or invest – as well as the outcomes of those decisions – are theirs to own.

2. Teach the difference between empowerment and entitlement.

Before they take jobs of their own, most children only experience the spending of money on a discretionary basis. ▶



A lifelong education advocate, Sharon Lechter is the founder of Pay Your Family First, a financial education organization, and YOUTHpreneur, an innovative new way to spark the entrepreneurial spirit in our children. Visit payyourfamilyfirst.com to learn more.

They generally are not with us when we make money or when we use it to pay bills, so their appreciation of its true value is skewed.

To help balance this perspective, you may:

- Find opportunities for children to work and fund the budgets they are managing.
- Let them sit in when you pay bills and shadow you while you work.
- Involve them in meetings with your Financial Advisor or other professional advisors to help them understand the dynamics of wealth preservation, your goals for your family and what needs to happen in order to achieve those goals.

3. Be a mentor.

Having a budget and being empowered to manage it doesn't mean making financial decisions in a vacuum. Just as you trust professional advisors, you can offer guidance for your children based on your own experiences.

- Help children understand the difference between instant and delayed gratification.
- Engage them in a dialogue about not only your financial goals, but also the goals they have for themselves.
- Offer advice that is more illustrative than prescriptive and be willing to discuss the relative merits of multiple approaches that could be used to attain goals.

4. Don't just tell them – show them how to give back.

Understanding that wealth is a means to more important ends can change one's

perception of money. And actually being a part of the positive impact it can have on other people's lives can help define who one wants to become. If philanthropy is an important part of your life, you can pass it on to your heirs as part of your legacy by involving them.

- Engage children in evaluating worthy causes and help them better understand the issues and people that can benefit from your giving.
- Let them help you determine the shape and scope of support you offer to various charitable organizations.
- Make sure they are a part of the giving process, either through personal delivery of the gift or by visiting the group or organization supported, so they can experience first-hand the real difference they've made.

What You Should Do Now:

The fact that you are still reading means you appreciate the value of expert insight. This is something you can share with your heirs by showing them that, for many important matters, seeking professional advice is the wisest course. We recommend you introduce your children or grandchildren, whatever their ages, to your Financial Advisor and begin involving them in planning for your family's future. We also encourage you to visit the Web site PayYourFamilyFirst.com to find other useful articles and programs related to educating our families on their financial futures. ■