

# Del Mar Times

## "Financial Parenting" should begin early



### *Financial Thoughts*

*by John Schooler*

So you've crafted a meticulous estate-planning strategy. You've notarized your will. You've figured out how best to transfer your assets to your kids.

Have you dedicated any time to ensure that your kids are fiscally competent to receive your wealth?

Are you sure that you won't undermine their personal development and independence by giving them a large sum of money in the future?

Lee Hausner, author of "Children of Paradise: Successful Parenting for Prosperous Families," stresses that one of the more important parental responsibilities is to plan for the child's fiscal competency. Parents need to take a "proactive stance for the next generation will have no conception of how to manage money," says Hausner.

"Money is a finite object," she notes. This should be reinforced at a young age. "Parents should prepare for financial competency by the time the child is eight years old."

The biggest problem Hausner sees in families with more than enough cash to feed and clothe their children is "entitlitis." The best response, she says, is the word "No."

Parents need to manage their children's expectations. Kids shouldn't rely on inheriting your estate or business. They need to learn self-reliance and independence, which ultimately will make them better prepared if they actually do inherit the family business.

Parents also must reinforce to children that funds are not limitless. A variety of tools are available to help teach children the concept of limits:

## August 15 - August 21, 2003 issue

- Allowance

Financial parenting should start with an allowance. Hausner recommends parceling it out in thirds. The first part can be spent immediately on both necessities and things the child desires. The second is for "delayed gratification," meaning a big-ticket item the child wants and needs to save up money to buy. The last portion should be set aside for charity.

- Budget

High school-age children "should prepare a budget over which the parent has a line item veto," says Hausner. If the child needs more money, he or she can get a job. Earning money reinforces the idea that "money translates into an expenditure of time."

- Credit cards

Maintaining credit is part of the budgeting process and teaches responsibility. Supervised credit card purchases should be incorporated into the child's budget. Learning this discipline during the high school years is certainly preferable to the carte blanche spending sprees that plague so many fiscally naive students later in their college years.

- Investments

Teenagers should be introduced to investing. Stocks can be particularly educational gifts. Purchase company stocks that pique your child's interest, such as Disney, Gap or Nike.

Even if you succeed in instilling a sense of financial responsibility into your child, you may still undercut their growth toward financial independence by giving them too much money at one time.

Hausner cautions against transferring significant amounts of money in a lump sum, particularly during career-building years. She believes large amounts of money that enhance lifestyle may blunt some of the vigor and energy necessary to forge a career. "I am concerned about 'stay in bed' money during those formative years," she says.

Hausner recommends dividing any large inheritance into at least three allotments. There are exceptions, however, to limiting the amount of money given to a child, she adds. Funds need not be limited if they are used for:

- Education or health needs
- Reasonable housing

## August 15 - August 21, 2003 issue

- Entrepreneurship. Funds can be given to a child for wealth creation and career building as long as he or she has an approved business plan.

- "Following a passion." If children choose professions they love, where the ability to earn is low, you can match their income with a stipend in order to enhance lifestyle.

You've dedicated a lot of energy to protecting your assets. You understand that you don't "eat the goose that lays the golden eggs." It's never too late to take a proactive approach and pass your values and work ethic onto the next generation.

You can reach John at [john@wfpsecurities.com](mailto:john@wfpsecurities.com) or ( 858-677-0477)

John is a Certified Financial Planner