



Why we should teach our children about money

Raising someone who is financially independent is good for both child and parent

BY DANIEL COHEN

When I was a teenager in the late 1980s, my father's business took a rapid downturn, and his plan to cover my college expense was no longer an option. I learned a lot from those years and believe sharing my experience has helped many of my clients and may be of further value to families.

One of the most important things to do with our children is to talk to them about money. With four kids at home from ages 3 to 13, I am constantly asked to buy things. Rather than always refusing their requests, I try to limit this type of spending and hope to teach the kids something in the process.

Rather than simply refusing my kids frequent requests for V-bucks on the popular online game Fortnite, for example, I might offer to buy some before an upcoming trip, so they will have them to use on a long drive or flight. Hopefully this delayed purchase is understood by the kids and at least helps them learn to delay gratification.

It's important to teach children why you say no to some things they want now in order to enjoy better things in the future. When one of my children complains that an item they want is only \$10, I let them know that \$10 requests on a daily basis add up to over \$3,000 per year and that could pay for a very nice trip for the whole family. This helps put the actual value of money in perspective.

When a child has accumulated some money from birthday or holiday gifts or from a periodic allowance, it is OK sometimes to let them make a mistake with their purchase decision. By spending small amounts on a cheap toy that breaks or something that ends up not getting used, they will hopefully learn to make better choices in the future when they are faced with larger purchasing decisions.

After observing their buying activity, it

may be wise to ask kids questions about their experiences with the purchases and let their own answers better inform them. For example, I'm waiting for feedback from my daughter about her recent purchase of highly overpriced designer sneakers to see if there is any regret.

Make allowances count

A weekly or monthly allowance is a great way to teach children about money and budgeting.

Some experts suggest giving an amount equal to a child's age starting as young as 3. An unresolved debate among parents is whether an allowance should be tied to doing chores or getting certain grades in school. Most experts agree that it is a mistake to give an allowance for behaviors that are expected of children, like being nice to siblings or putting their toys away.

My daughter recently got a raise in her weekly allowance to \$20 per week now that she is 13. I decided to give my kids allowances starting at age 10, with \$10 per week. For this, they have a list of responsibilities they need to follow, including keeping their room clean, doing all their homework and other seemingly simple things that are expected. If they don't clean their room on occasion, that is fine, but if it happens consistently, then they will lose that week's allowance.

The hope is that each child will learn that getting an allowance, as with a future work paycheck, comes with responsibilities that need to be met.

It is a good practice to supplement an allowance with extra money for chores that might be outside the usual list of responsibilities. For example, extra money for washing the family car or babysitting younger siblings. This reinforces the fact that money is earned, and that children as well as adults have the opportunity to earn more if they choose to apply themselves.

Getting interested in interest

I make it a point to talk to my children about what I do for a living, and it warmed my heart recently when my 7-year-old son asked me if we could take the money in his piggy bank and invest it to earn interest.

All the bills and coins in his piggy bank added up to \$498. We took \$450 of that and opened an online savings account that is currently paying almost 2 percent. Although he will only earn just under \$10 in a year in interest at this rate, he will be learning a valuable savings lesson, and hopefully will be motivated to add to the account as he gets future gifts during birthdays and holidays.

My 13-year-old daughter recently celebrated her bat mitzvah and decided to invest a majority of the money she got as gifts into stocks for long-term growth. This was another proud moment for this financial professional father!

For parents who are also business owners, it is good to talk to kids about the basic finance behind running the business.

I explain that my clients pay me an ongoing fee to manage their money and advise them on financial decisions and that is my revenue or income. Understanding what it actually takes to generate income to live on and invest is very important.

Very few states require personal financial courses be taught in school. While raising children is complicated enough, parents need to start young teaching their children in daily situations and in terms that they can understand. From the most basic conversation that ATMs don't hand out free money to the more complicated discussion about investing a teenager's summer earnings into a Roth IRA, there is a lot of material to cover. Raising a child who becomes financially independent does a lot of good for the child and the parents. **NHBR**

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