



## TAKING THE TIME TO TEACH RAISING HEALTHY CHILDREN AMID AFFLUENCE

*“The best thing to spend on your children is time.”*  
— Louise Hart

One of the greatest anxieties among wealthy parents is that the family’s great fortune will turn out to be misfortune for their children. Responsible parents worry about producing wild rich kids whose exploits are splashed across the tabloids, or some contemporary version of Tommy Manville, the Manhattan socialite whose only initiative was to wed 13 times, each time collecting a \$1,000,000 “incentive” trust distribution payable upon marriage.

Calibre recognizes that significant wealth requires not only managing wealth for the family, but also preparing the family for wealth. Our Family Dynamics Practice reflects our strong commitment in this area. One of its main tasks is to help Calibre parents raise responsible children with good self-esteem. In a prior White Paper (“Raising Healthy Children Amid Affluence,” Winter 2003), we offered general guidelines for defining the family’s values, communicating openly, and educating children about philanthropy and legacy issues. Taking this a step further, we now expand on practical ways to teach children about wealth, seizing opportunities in daily life to prepare children for responsible living.

### THE POWER OF THE TEACHABLE MOMENT

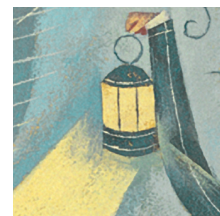
Like learning to read, financial literacy is a long-term process that best starts in early childhood. This means taking the time to educate our children in the fundamentals of money

management, just as we prepare our children for other skills in adulthood. We cannot assume our children will learn good money attitudes and skills unless we take the time to teach them.

Dr. Albert Keith Whitaker, Director of Calibre’s Family Dynamics Practice, explains, “A key to raising responsible children in affluence is finding or creating ‘teachable moments’ in everyday life when money lessons can be learned. Most people think wealth brings more of these moments than in middle-class life. Unfortunately, the opposite is true.” The modern conveniences of wealth actually make these moments more elusive, stealing opportunities for children to gain money skills.

Dr. Whitaker recounts a typical story he heard from one client family: “The mother had taken her seven-year old daughter to the girl’s first book fair at their private school. The school thought they were helping by making book-buying easy for the parents and for the school. Beforehand, the school had asked the mother for her credit card number and a limit, say, \$30, for her daughter’s purchases. Her daughter navigated the fair, picked out several books she liked, and took them to the register. The salesperson entered some figures on a laptop and gave the books back to the girl, who then turned to her mom and proudly said, ‘Buying books is easy!’ Her mother laughed, struck by how invisible the entire money transaction had been to her daughter.”

Dr. Whitaker advises parents to resist the lure of convenience in order to seize teachable moments



for their children. This mother and daughter had missed a chance to introduce useful money skills: to show the girl what \$30 looks like, to have her handle the bills, to figure out that three \$9 books cost \$27, to watch the salesperson add on tax and make change, and to connect an upper limit — \$30 — with the inability to buy a fourth or fifth book. Instead, the child was insulated not only from the transaction but from an opportunity to learn how money works.

Young children must first learn about money as a tangible thing — holding, counting, giving away, and receiving money as part of life. This includes experience making choices about purchases and encountering limits when one has spent all the cash on hand. Mastering these basic skills with cash lays the groundwork for later being able to make the transition safely to more abstract money transactions using credit cards, ATMs and check-writing.

The middle years of childhood are especially important for their role in money skill development, according to Dr. James Grubman, a wealth psychologist and Bentley College professor who advises Calibre's Family Dynamics Practice. "Up to age 8 or so, children need the basics: love, attachment, a sense of security. The next period from 9 through 12 is the best time for training about money, yet often the most ignored by parents. This is when children can learn not only the fundamentals of how money works but also a sense of initiative to propel them through life."

Children in this pre-adolescent stage are very interested in learning about money and may be more teachable than they will be during adolescence. Making it a game, they will enjoy being shown how to calculate tips in a restaurant, how quickly they can estimate 25% off in a sale, or how to compare the value of two sizes of snack foods. This may seem trivial to a multimillionaire parent who knows his child will never have to worry about the food budget. Nevertheless, "We have to look at the world from the child's point of view, not our own," clarifies Dr. Grubman. "These are the things a child is interested in, and can learn from." Research shows these early experiences lay the groundwork for later self-responsibility, good money values and a critical eye for what things are really worth.

#### ALLOWANCES AS TOOLS FOR TEACHING

At Calibre, we often field questions from families about whether to give their children an allowance. An allowance rubs many families the wrong way. Dr. Whitaker observes, "Many Calibre families have acquired significant wealth in the parents' lifetime. These parents may have grown up in tough circumstances without allowances, forcing them to earn money from an early age which then led to success. Or they bridle at the notion of giving their kids a handout or a 'salary' for chores. They say, 'My kids should do chores because they're part of this family, not for money.'"

True, an allowance should be neither a gift, a salary, a reward for grades, nor an entitlement.



Yet you may want to introduce your children to an allowance. Why? It is invaluable as “a tool for teaching children how to manage money,” according to Joline Godfrey, author of *Raising Financially Fit Kids*. An allowance is a constant source of teachable moments, giving you as a parent a way to foster your child’s financial training. Approaching an allowance this way shifts the focus from what the child has done to “get” the money towards what the child plans to “do” with the money.

Many wealth counselors<sup>1</sup> advocate the “Three Bucket Model”:

- one-third paid in cash, to be spent as the child sees fit — weekly for young children, biweekly or monthly by the teenage years
- one-third deposited in a bank account or entered in a money-management program like Quicken, to be built up in savings
- one-third deposited or set aside for charitable uses, to teach philanthropy

This system teaches many lessons at once. It underscores that the family’s values include not only spending but also saving and philanthropy. By devoting a portion toward savings, it teaches delay of gratification and long-term planning. And it provides a vehicle for children to practice making their own decisions about money safely, learning from both successes and setbacks.

Instead of being the “family bank” whose wallet funds all purchases, require your children to use their own spending money to buy at least some of the things they want. For a 10-year old, this

may be some sports gear, a special dress or video game software. For a 16-year old, it may mean gas money for a car, half the vehicle insurance and half of all repairs. If your child is to become a financially responsible adult, he or she must first practice being a financially responsible child.

Within broad guidelines, try not to micro-manage your child’s choices around spending. You may cringe at times at spending decisions he may make, but remember: the goal is to teach, not to control. You will be rewarded later when you see your son or daughter stops buying shoddy or impulsive purchases, learning from experience. You can and should exercise a “No” if the expenditure would violate the family’s shared sense of what’s right and wrong. Finally, don’t revoke an allowance as punishment for other sins. This just teaches that you will use money to show anger or control behavior.

### SETTING LIMITS — AND ENFORCING THEM

The real power of an allowance is in its ability to teach by experience. If your 12-year old knows her allowance must last all month yet spends it all on clothes in the first week, then she must either do without or earn her spending money for the rest of the month. It’s a lesson few children forget.

“Here’s where even savvy parents often trip up,” notes Dr. Grubman. “They see their kids floundering, so they jump in and bail them out. The motive is good — they love their kids — but the message says, don’t worry, you won’t have any consequences for what you do. This is

<sup>1</sup>See list of resources on the last page.



exactly the opposite of what you want to teach.” Children are also masters at cajoling, making excuses, or throwing tantrums in order to get rescued from their actions. Sympathize, but hold steady. These moments are critical for developing self-discipline and discouraging entitlement.

#### ADVANCED CLASS: YOUR ADOLESCENT

The teenage years (ages 13-18) pose special challenges for financial parenting, particularly if you’ve let those earlier opportunities slide by. The calmer waters of childhood give way to the fast-moving currents of adolescence. Your kids may turn into people you barely recognize, making increasingly risky decisions even they may regret later. Teachable moments evaporate as peers and the media take over as major influences.

Here again, the institutions of wealth can whisk away potential opportunities for learning financial skills. Calibre’s family office services offer tremendous efficiencies managing everyday transactions for high-net-worth families. David Beatty, Regional Managing Director of Calibre’s Boston office, recognizes there are risks, too. “In an innocent effort to help, the family office can too easily cross the line from helping to removing responsibility” from teenagers needing to learn financial discipline. “Calibre goes the extra mile to deliver the conveniences of a family office while supporting the responsibility and oversight parents want for their children,” he explains.

How to foster your teenager’s training in financial literacy? Dr. Grubman and Dr. Whitaker both point to three main areas:

- **Information.** Use TV and print ads as teachable moments about interest rates, both as fees in credit cards and loans and as income from bank CDs and bonds. Talk about compound interest. Demonstrate online investment tracking. Explain how to read monthly statements, starting with a smaller account that may already be in the child’s name. Teach your child how to write checks and balance a checkbook, even if these responsibilities can be delegated later in life.
- **Values.** In retelling the family history of how the wealth was created, emphasize the work and risk that were undertaken, not to instill guilt but to teach that work and risk are fundamentals of success. As purchases get more expensive (cars, travel, parties), make your teen subsidize more of their cost. This demonstrates that the family hands over greater responsibility as the next generation matures.
- **Decision-making.** Teenagers can be natural-born debaters, not always to their benefit. Foster healthy decision-making by prompting your teenagers to “make their case” responsibly when they want something new, whether a BMW or a trip to Italy. This should not be an exercise in glib argument. Have them truly explain the reasoning behind requests, showing they’ve looked at costs, benefits, and alternatives. Stay open but firm. They will gradually learn how to think carefully about choices. You will be rewarded when they are



able to drop an extravagant request after they've truly explored things. Of course, sometimes a purchase goes against deeply-held family values. Then it's time to say, "No," with an explanation. This way, you teach the crucial lesson that life doesn't fulfill every wish, even for wealthy children.

#### HANDLING THE QUESTION: ARE WE RICH?

At some point in middle childhood, your son or daughter will inevitably ask, "Are we rich?" or "How much money do we have?" Even the best parents can freeze in their tracks at this, caught between a desire for honesty and fears of disclosing too much. As we reviewed in our 2003 White Paper, Are We Rich questions can still be handled with confidence as just one more teachable moment.

First, recognize that when they come from young children, these questions are not about money. Your six-year old is not angling to know how much he's going to inherit. These questions simply reflect a desire for comfort and security, maybe a curiosity about a friend or cousin. It is O.K. to draw out your child as to what's prompting the question, but don't respond with suspicion or concern: "Why do you ask?" or "Who told you that?" Your interrogation will only breed worry and shut down future discussion. Nor does it help to lie or dodge the question: "Oh, we're not rich. The So-and-so's are ten times richer!" This comparison will make your child feel insecure or jealous, and eventually he will learn you misled him about the family.

Instead, accept this as an opening to introduce the simple distinctions among "Not Enough," "Enough," and "More than Enough." "Many families," you can point out, "do not have enough. Some have just enough for their needs, and others have more than enough. We are very fortunate to have much more than enough. That's why we are able to have many good things, and why we often share some of what we have with families who don't have enough." As Dr. Whitaker points out, "In these brief comments, you let your child know that he or she is secure — you have 'more than enough' — but you also reveal your family sees its bounty serving a good beyond your own needs."

Your children may ask follow-up questions about the source of your wealth or even its composition; don't worry about being grilled about your portfolio performance. This is another opportunity to share stories about the family and to promote positive role-models. "Your great-grandfather used his brain to make a wonderful invention" or "Your aunt worked very hard to build a large company and make jobs for hundreds of people." Model that the best reaction to your wealth is responsible pride, not shame.

#### THE HIDDEN ISSUE — PRIVACY

These inquiries are also tricky for another reason — the need to teach children skills about handling the family's privacy. Too often, this is where the painful link between money and secrets gets forged. Dr. Whitaker coaches that, 'None of your business!' is not a helpful response to a question about the family's wealth. You don't



want to instill in your children a ‘don’t ask, don’t tell’ inhibition about money. If they ask something too specific, explain you’ll share that information over time. You can use these conversations to teach that, just like your child, the family has things that are personal and private, not to be shared with people outside the family. Kids get that more than we think. If you start this lesson early, your kids will learn a good sense of boundaries, inside and outside the family.”

#### JUST THE BEGINNING

Calibre believes these suggestions about teachable moments are just the beginning of financially responsible parenting. It is a life-long task requiring much patience. While no one can replace you “on the ground” in keeping watch for these moments, Calibre can help you prepare for them with reading, online resources, and consultation with experts.<sup>1</sup> Our Family Dynamics Practice can also help you with age-appropriate financial education to reinforce your children’s money skills. Most importantly, your entire Calibre team is ready to support you as you undertake this very important task for your family.

<sup>1</sup>See list of resources on the last page.



## WANT MORE INFORMATION?

### Books

Gallo, Eileen and Jon Gallo. *Silver Spoon Kids: How Successful Parents Raise Responsible Children*. New York: Contemporary Books, 2002.

Gallo, Eileen and Jon Gallo. *The Financially Intelligent Parent: 8 Steps to Raising Successful, Generous, Responsible Children*. New York: New American Library, 2005.

Godfrey, Joline. *Raising Financially Fit Kids*. Berkeley CA: Ten Speed Press, 2003.

Hausner, Lee. *Children of Paradise: Successful Parenting for Prosperous Families*, Second edition. Irvine, CA: Plaza Press. 2005.

Salzer, Myra. *The Inheritors' Sherpa: A Life-Summitting Guide for Inheritors*. The Wealth Conservancy, 2005.

Willis, Thayer Cheatham. *Navigating the Dark Side of Wealth: A Life Guide for Inheritors*. Portland, Oregon: New Concord Press, 2003.

### Websites

James Grubman, PhD — [jgrubman.com](http://jgrubman.com)

The Inheritance Project — [inheritance-project.com](http://inheritance-project.com)

More Than Money Institute — [morethanmoney.org](http://morethanmoney.org)