BLB&B Advisors, LLC
FINANCIAL GUIDANCE SINCE 1964

MONEY *notes*

As parents, we can't help but worry about our kids—whether they're three or thirty. We want them to experience all that life has to offer, while avoiding some of its harsher realities. One way to help ensure our children are on sound footing as they head into adulthood is to teach them how to make smart, rational decisions—particularly when it comes to money and their personal finances. If you are able to instill good financial habits in your children and help them to develop a healthy relationship with money, then you will have given them an invaluable gift.

Of course, raising financially responsible, ethical, and charitable kids is no easy task. Most elementary and secondary schools, for example, do not offer any classes or instruction centered around money and personal finance. Only five states (Alabama, Missouri, Tennessee, Utah, and Virginia) mandate a personal finance education requirement for graduating high school students. So, it's up to us as parents and guardians to initiate discussions around basic personal finance concepts, including saving, investing, budgeting, and spending strategies.

This may sound overwhelming—especially if you also struggle with some of these concepts yourself. Keep in mind though, that you do not need to be a finance expert to be able to teach your children some of the basics. Often a good place to start the conversation with your child is to talk broadly about what money is conceptually and how money can be a means to an end and something that offers you choices and options. You can also focus on the underlying purpose and value of money.

7 keys to more effective financial discussions

Your child is ready to learn about money and personal finance at almost any age. Even young children can grasp basic money concepts related to

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what something might cost at the store and what it means when something is on sale. They can also begin to understand basic budgeting and the need to make smart choices—e.g. if I spend my dollar on a candy bar at the grocery store today then I won't be able to take that same dollar to the toy store tomorrow to buy a treat.

If you have younger children, focus on simple concepts. Consider giving them a small allowance and then help them divide their allowance into several "buckets" or piggy banks. Frequently, parents like to have their children divide their money into a shorter-term spending bucket, a longer-term savings bucket; and a third charity bucket. For older teens and young adults, emphasize the importance of long-term planning, budgeting, and offer some tips on how to effectively manage money.

- **Talk about setting goals based on personal values**—young idealists are often more motivated to 'do good' than to 'do well.' They want to make a difference in the lives of others with their wealth, and therefore may be more willing to set and adhere to financial goals when they feel there's a noble purpose to what they're doing.
- **Listen attentively**—don't fall into the common trap of lecturing. While sharing your wisdom is important, so too is genuinely listening to each of your children's particular financial dreams and concerns.
- **Be open about financial missteps you've personally made**—discuss some of the bad investments, credit mistakes, or lessons you wish you had learned when you were their age. This will help your kids better understand that we all mess up from time to time with money and investing. But, mistakes can be overcome if they just stay committed to their plan.
- **Teach them to spend and save responsibly**—a spending plan can provide structure to your child's financial life—helping them avoid overspending on luxuries and stay disciplined about saving. Take time to help them identify and quantify their needs, wants, and wishes and, show them how to track where their money goes each month. They may be shocked to realize, for example, how much they are spending each month on fast food. Once your child has a clearer understanding of their personal cash flow they will begin to develop financial confidence and independence.
- **Don't shield kids from the costs they incur**—it is fairly common for parents to pay bills on behalf of their older children. For example, many parents will pay a child's car insurance and cell phone bills even after they have graduated from college and are employed. It is also not unusual for parents to help their recent graduates with rent and car payments. While this financial assistance can help a child successfully transition to adulthood, it is also important to allow your children to live independent financial lives. They need to see and appreciate the real data they need if they're going to effectively learn how to budget and manage their own finances.
- **Create a legacy of giving**—consider setting up a donor advised fund account (it's quick and easy) as a way to involve your entire family in choosing and supporting charities they're passionate about. It can fan the philanthropic flame in future generations, and lead them to be more empathetic and generous adults.
- **Have an ongoing inheritance and estate plan conversation**—a lot of parents (and children) feel very uncomfortable talking about inheritance. Parents worry that it might cause family friction or make their heirs less motivated to work hard, while their kids don't want to appear as though they're waiting for mom and dad to die.

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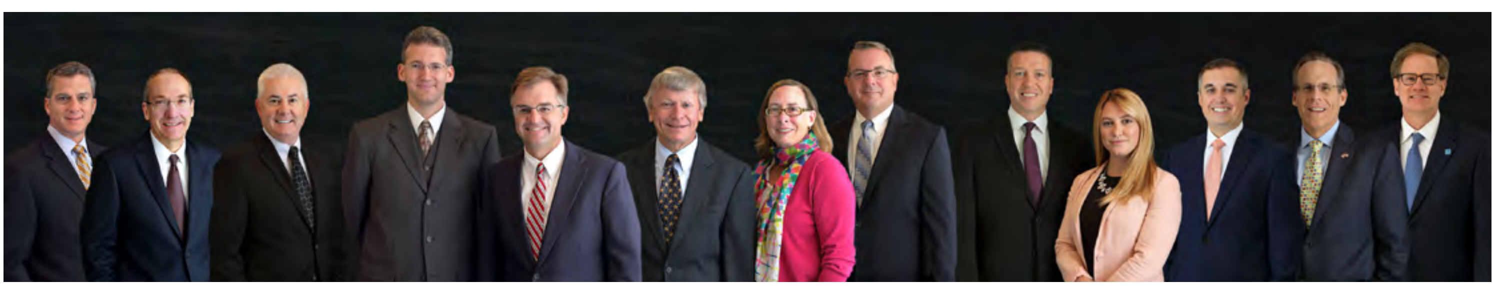
This article contains some very basic tips about helping your children begin building their personal finance skills. It is never too early or too late to start this process with your children! And, keep in mind that your BLBB Advisor is well-equipped and happy to assist you and your children with this educational process. We also offer a basic personal finance seminar called Money 101 several times a year and we have a "NexGen" financial planning process specifically geared to younger or newer investors who are just getting started on their wealth-building journey. We also regularly assist families that are struggling with the many challenges associated with the transition of significant wealth to the next generations and can connect you with professionals in related fields should you need additional resources.



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