ArchBridge Family Office

How Do I Avoid Ruining My Young Kids?

5 Things to Consider When Teaching Your Kids About Money

Families with significant wealth find that their wealth can solve problems, open doors, and provide security. But parents sometimes worry about "ruining" their kids when their children grow up in a privileged environment. We spend quite a lot of time working with our client families to prepare the next generation for the wealth that they will inherit — from basic financial literacy to fiduciary responsibility and everything in between — with the goal to develop competent, confident stewards of family wealth.

Here are five things to consider when thinking about imparting financial wisdom to kids.

1. They May Speak a Different Language | Have you ever witnessed a person speaking to someone that they realized doesn't speak English, and they just say exactly the same sentence but much louder and perhaps without all of the pronouns? Don't be that guy with your kid. If your child doesn't have a natural inclination for numbers, don't just say the same thing louder and louder hoping that he'll understand you this time. Figure out how to say it in his language — not yours. This may seem difficult, but you may be forgetting how well you know your kid. You've known him since birth. You know what makes him tick. You know what ticks him off. You have more context for how your child came to be who he is than anyone else. Is he a technology kid obsessed with devices or videogames? Use Apple's next announcement or Electronic Arts' next game launch as an opportunity to watch what happens to stock prices. Does he play an instrument in a band or play on a sport team? Use the concept of how different instruments/positions work together to create a great band/team to explain how different types of investments in a portfolio work together. If your child doesn't have a "numbers brain," it doesn't mean that all is lost and he is doomed to be terrible with money for his whole life. What this means is that you need to find a way to speak to him in a language he understands.

2. Give Them Opportunities to Learn When the Stakes are Low | Mistakes + practice = the most efficient and effective teachers. Most of us know that this goes for any sport, any subject in school, and any job, but many don't extend this idea to money. While we load our kids up with activities and homework, today's kids often don't have the opportunity to practice spending and make financial errors until they're well into early adulthood. This sounds ridiculous, as we all see kids that own more stuff now than ever before. But rarely do they purchase this stuff with their own money and without a parental (or grandparental) bailout. Kids need practice spending. Whether you opt to give them an allowance or require them to get a job, select certain expenses that your kids should be in charge of, and let them pay for those items. When they're little, this could be candy, toys, and extra school snacks. As they get a little older, you could add video games, clothing, social activities, phone apps, music. Whatever you select, try not to bail them out when they don't have enough of their own money to cover something they really want. Without judgement, let your kid buy the newest hottest

toy for way too much money, and then don't come to rescue when they really want that extra ticket at the school carnival for the ride their friends are going on even though you gave them plenty of tickets at the beginning of the event. And don't replace the toy when it breaks. For kids to truly understand value, they need to practice, and crash and burn while the stakes are low (i.e. fidget spinners and ice cream). This can be heart breaking when your little fellow so earnestly wants something and really didn't do anything wrong or break any rules. But imagine if he's not allowed to make these kinds of mistakes until he's in his 20s — the stakes can be much greater then (i.e. poor credit scores and credit card debt).

3. The Future is too Hard for Them to Conceptualize | Remember when you thought a relationship that lasted six months was "long term?" Time flies for us, but your children have NO concept of time. If they're in the final years of high school, they probably can't see much past their first year or two of college. If they're in early high school, graduation seems eons away. If they're in middle school, a school year seems interminable. And in elementary school? They're really just counting minutes until their next opportunity for screen time. Accordingly, they really cannot understand planning for the future, no matter how hard you might try to relay the message. Compound interest may not interest them because they couldn't possibly wait ten years to see its benefits. For young adults just starting their careers, saving for retirement is a completely theoretical concept to them. Don't attempt to motivate your kids with talk of the long-term future ("I'm helping you save up to buy your first house" or "you should max out your retirement contributions") — these are not motivators. Find another way to help them care.

4. Talk About it, and Then Walk the Talk | Money is often a taboo topic in many households. This can be a disservice to your kids. If your kids aren't aware that you think about money, then they may not feel the need to think about it. You do not have to get into details about your wealth or income, but let them hear you wonder aloud how much something costs. Let them see you pay some bills. Let them hear you talk with your spouse about making a choice between two expenses — "well, since we're taking the more expensive flight, we'd better stay in the not-quite-as-nice hotel." When your kids are with you on a grocery shopping trip or a trip to Target, take a written list with you, and stick to it. When they want that extra toy/makeup/snack/shiny object, say "that looks awesome, but it's not on the list." These types of daily behaviors set your kid up to be able to budget when the time comes.

5. This Takes Time and Dedication | Parenting can be totally awesome, and completely draining. We are all trying our best to instill our values in our kids. You know it takes repetition and continual modeling. My bet is that your kid can ride a bike, swim, and play a sport or musical instrument. Perhaps at one point your kid cried over these things and even refused to do them for a while. Did you give up teaching them? I bet not. I bet you persevered, and so did they.



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