



Evelyn Preston

Teaching Kids About Money

By Evelyn Preston



My grand-daughter's 5th grade class promotes Class Cash, earning "money" for positive learning and special projects, holding auctions for school supplies and getting fined for poor behavior or performance.

Her after-school group works as a team in Biz-Movie, a mini-film company dealing with sales charts, marketing costs and executive financial decisions. These ongoing lessons offer hands-on experience that reinforce financial information and cement solid lessons in money management.

Why should we seniors care? Because it may benefit us in the long run by teaching children and grand-children how to handle money 1) as our financial caregivers should we become incapacitated, 2) as our eventual heirs, and most importantly, 3) so families won't have to waste money rescuing insolvent or incompetent siblings or spouses.

Remember we may have to hand off our checkbooks late in life and we'll certainly pass them on after we're gone.

Question: *Shouldn't all high schools require a year or more of financial management classes instead of leaving it mainly to parents who may need the same classes themselves?*

Answer: Many school systems offer economics in the Social Studies curriculum; some include financial

literacy as part of general living and health courses. However, it's now being proven that the most effective money management tool according to a WSJ study is teaching children "strong basic math skills." Professors at Harvard Business School found that being comfortable with numbers, making numerical comparisons and understanding the positive effects of compounded growth work best and lessen the emotional component in investing. And it is true that often parents bring their own hang-ups to sensitive subjects like sex and money.

Question: *As a grandparent, how can I benefit my grandchildren most about money issues?*

Answer: A) It's never too soon to plan for retirement...and seniors facing their own retirement reality are living this important lesson. The majority of adults have saved under \$25,000 for their "golden years." Help children at any age get started with a small monetary gift. Then follow through, especially with young adults, to develop a savings plan and stick to it—just keep it simple. Saving \$10 to \$100 a month (instead of a movie, lunch out, extra tee shirt or video game), should be doable. Let kids calculate future results using regular investments at realistic interest rates (6-10% until age 65) that can quickly add up to eye-popping amounts. Make each child proud to realize how few people their age actually understand this powerful concept.

B) Even with young children, encourage open discussion about family income, debt, budgets and costs. Talking about finances leads to "teachable moments," keeps money from becoming secret and scary" and eases the emotional aspects (power, loss, etc.) attached to money.

Question: *I'm mainly concerned about leaving my greatly appreciated Bay Area home to my three children after I die. I've heard so many horror stories of sibling battles over inherited real estate. How can I avoid this happening after I die?*

Answer: Columnists Jeanne Fleming and Leonard Schwarz, authors of the nationally syndicated column, Money Manners, said it best. "Death doesn't bring out the worst in people. Joint ownership does." Facing diverse choices (selling, renting, buyouts...) and exploring direct concerns (taxes, upkeep, insurance...) while you're still living, may soften dissension and/or present a best solution to everyone's satisfaction. If necessary, enlist a real estate specialist or estate attorney to keep emotions low and options high.

Question: *What's a good way for grandparents or older adults to introduce money issues for younger children?*

Answer: Use story-telling language they can understand such as:

MYTHS: Small amounts don't matter, money grows on (parental) trees, money buys happiness;

MONSTERS: The Credit Dragon, the Greedy Gremlin (instant gratification), The Wicked Witch of the Mall (shop 'til you drop);

MAGIC: Amazing expanding penny (compounding), Secret Formula (slow and steady savings, Open Sesame (the wide world of money—allowances/chores, lemonade stands, babysitting.)

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