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Watch the Financial Lessons You Teach

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What do you do when your children come to you for money? Under what circumstances do you provide it? When is enough enough? Sometimes busy professionals, who are prone to using gifts to make up for attention when time is short, provide unintended lessons about the value of money. Inadvertently, they may teach their children that the biggest challenge to getting money is figuring out the location of the nearest ATM. This is insanity. In fact, today's youth often have no understanding of where money comes from or how it's earned. Sometimes these unintended financial lessons help atrophy a child's sense of purpose and drive. They may even handicap children later in life when they encounter others who have a more realistic view of what it takes to prosper. Children need to earn money to learn its value. Parents who still have a chance to "stop the insanity" can benefit by learning a few lessons of their own.

Lessons in Sanity

It's easy for children to assume that their parents' lifestyle will be their destiny — though their parents may have taken 20 years of hard work to achieve this. Those with wealth need to be especially diligent in giving their children the skills required to earn, save, and manage money. Try these suggestions:

■ **Starting as young as possible, teach children the value of money**. Age 5 isn't too early. On a trip to an ice cream store, explain the cost of 1 dip, 2 dips, and the further cost of toppings. Share the simple principle with young children that more does indeed cost more.

■ **Give all children a savings requirement.** A percentage of a child's allowance, earnings, or gift money should be set aside and saved.

■ **Give children age-appropriate tasks and chores.** These may be paid or unpaid chores, but the lesson here is that life involves work. Doing jobs for neighbors, such as mowing lawns or walking dogs, can help build an entrepreneurial spirit.

■ **Make children spend some of their own money for what they want.** If children want brand name sneakers or designer clothes, some of their earnings or savings should be used to make the purchase. This builds a realistic appreciation of their living expenses.

■ **Give children a financial incentive for saving.** If a school lunch costs $4, give them $20 a week for lunch. If they want to economize and save all or part of that $20 by packing their own lunches, let them keep the rest to save or spend elsewhere.

■ **Help children keep perspective and a sense of reality about money.** Avoid largeness. Generous gifts won't keep them grounded concerning the value of money. The more they take your generosity for granted, the faster their own funds will evaporate. Especially as they get older, their lifestyle should stay as proportional to their earnings as possible.

■ **Create savings accounts in "lumps."** Rather than building savings accounts for children weekly, do it in round increments that are substantial enough to have meaning, like $100. Then encourage the child to see the savings account as something that shouldn't be touched. More money less often is more meaningful.

Worth the Wait

A key factor in success is deferred gratification. This is true whether the investment is related to finances or a career. Every physician has friends who didn't want to give up the years required by medical school or who quit halfway through. They couldn't or wouldn't take the time. Likewise, giving a child a sense of easy financial entitlement and downplaying the discipline of saving is no advantage in life. For even the youngest child, this concept can be communicated with the adage "every good thing is worth waiting for." Yes, we all want more than we had for our children. But sometimes less is more. ■

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