Preparing Children for Values, Money, & the Future

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Introduction. In each Olympic cycle I watch, I'm awed by the high level of proficiency among very young athletes. And I'm struck by the time parents have devoted to transporting their children to trainers and competitions; the investment they've made in lessons and equipment; the sacrifices made. Preparation for the privileges and responsibilities of wealth is a great deal like training for the Olympics. One can't train a child haphazardly to shepherd financial and human capital and expect they'll become proficient any more than the weekend athlete will make it to national trials for Olympic competition.

Many parents express wish for their kids to enjoy a normal, happy childhood and for some, introducing the issue of wealth early in life feels too burdensome for children. But raising children in denial of a family's real capital and social assets risks an inauthentic relationship that will have negative consequences in the future; leaving children less prepared than they need to be for the responsibilities and opportunities awaiting them. Raising children honestly in the context of wealth gives them grounding and preparation that will serve them well throughout their lives. **This essay offers an overview of an effective financial education strategy for families.**

The Big Picture. We give children financial education, not because they cannot afford to hire others to handle the smallest aspect of their financial lives, but because we fail them if we don't give them tools for independence and economic self-defense. They must, over the course of their lives, feel confident to make independent decisions, and be well enough informed to audit the auditor. There are four key drivers of financial education for kids:

1. **To help children achieve a purposeful life.** Young people who are not required to make choices and experience consequences related to financial decisions will not have the benefit of those dreary but imperative "character building" experiences that help them develop into the confident adults. Children raised in a world in which almost "anything is possible," often have a tough time deciding which possibilities are more important than others. In *Just Enough*, authors Howard Stevenson and Laura Nash, maintain that, "…a sense of right purpose is one of the most powerful sources of energy and commitment to be found."

   A purposeful life comes from reflection and conscious choices. Helping kids uncover purpose and meaning is part of the process of a thoughtful financial education. Charles Collier, author of Wealth in Families, urged his clients to, "...focus on each family member's discovery and fulfillment of his or her life calling by dedicating your family's human, intellectual, social and financial capital to that higher purpose." He further reminded us that, "The desire for meaning and genuine connection will always transcend wealth."

2. **To give them tools for self-protection.** Children raised to be financially literate recognize fiduciaries, read the small print, and think critically about financial matters. They are less vulnerable to manipulative acquaintances, potential partners with unworthy intent, and fraudulent business or charitable opportunities. Children who

have the benefit of explicit, consistent conversations with family and advisors regarding financial responsibility are more likely to be engaged in their own financial self-development than the child encouraged to ignore the "boring" realities of money. Learning to select, trust, and manage your advisors is an essential part of becoming a financially responsible adult.

3. **To steward family capital and legacy.** Thought leader families approach the development of their human capital in the same way great companies invest in their best employees. In his classic book, Family Wealth: Keeping it in the Family, Jay Hughes, made this point: "***...a family without educated human capital can receive the most timely financial information but be unable to do anything with it."*** Such is the fate of young people who have not received guidance to become responsible caretakers of family capital.

4. **To nurture resilience, adaptability and readiness for 4IR.** Change is a permanent family dynamic—developmentally the family is constantly evolving. Now layered on top of this, the digital world that consumes family life is morphing into 5G and the internet of things (smart homes, smart appliances, smart TVs, etc.), which in turn is merging with artificial intelligence (Alexa, Hey Google, etc.), algorithms (Safari, Google search, etc.), block chain, robotics (Amazon warehouses and iRoomba); and biotech (23andme.com, artificial limbs and organs). Almost every aspect of home and family is being disrupted--at warp speed.

   Sometimes referred to as the Fourth Industrial Revolution (4IR), Tom Friedman describes it as the acceleration of "the market, mother nature, and Moore's law." Whatever we call it, by the time today's toddlers can say, "Alexa, give me my allowance" banks will be fully equipped with artificial intelligence; many medical services managed by digital doctors. You may already own a Samsung refrigerator. Once 'just' a computer company, Samsung now supplies anything that uses a computer. That refrigerator knows how many times you or your teenager grabs a can of Zero Cola or Chobani yogurt. Your smart mattress will communicate your baby's sleep habits to the manufacturer. Kids are now tracked from womb to tomb. Alexa will report to large pharmaceutical companies when there are sniffles in your neighborhood. And this isn't even the future. It's capability in place today.

   Families can be paralyzed or prepared; ready or reactive to the future. Those who embrace change—and prepare their kids for it are prepared for the unexpected; those who do not are in danger of ignoring signs of change--weak signals from the future--until it is too late. Financial fluency is one aspect of that preparation.

Managing Abundance. An FAQ parents ask is, **"how much?"** How much of an allowance? How much to spend on clothes? How much to pay for a teen's first car? How much to subsidize life style? How to manage in the midst of abundance?

Managing financial abundance is like managing any other kind of abundance. No responsible parent would let their child eat candy without restriction, whether they could afford it or not.. Parents put limits on when and how many chocolate bars a child can have because that's the task of being the grown up: to set boundaries for children not yet able to do it for themselves.

This is true also for families intent on helping children grow up with sound financial values and skills. Doubtless, there are plenty of families that can take care of the most minor aspect of a child's financial life and satisfy their most outrageous whim. But children unaccustomed to the discipline of making thoughtful choices; kids who've not found meaning in something other than "what I have, how much I'm worth, or what I wear," are prone to depression, low self-esteem, and cynicism. Managing abundance is as much about helping children learn who they are as it is about what they have. One of the most important outcomes of a comprehensive financial education plan is the development of young people with confidence and a healthy regard for something bigger than themselves.

Trouble in Paradise. The dark side of money is the stuff of great literature and B-movies. Stories have passed into legend of children who suffer from addictive behavior, substance abuse, depression, low self-esteem, suicidal tendencies, and other maladies of wealth. Raising healthy, happy children is a challenge for all parents, wealthy and not—and the notion that most wealthy kids are more troubled or troublemakers is simply popular myth.

But money can cover over problems for a long time. (As one father said to me sheepishly about his 16-year-old daughter, "It's easier to feed the tiger than deal with her." By this he meant he simply deposited money into her checking account to ward off any drama.) But raising great kids in the midst of abundance calls for noticing symptoms before full-fledged problems emerge.
For example::

- **Lack of discipline, purposeless.** Kids who can't stick to a schedule or pursue a meaningful goal may show signs they lack an inner moral compass, critical to developing self-worth.
- **Rampant cynicism.** Children surrounded by money who feel it "doesn't make a difference"—either to personal happiness or world conditions—may develop futility about the meaning of their lives.
- **Excessive consumerism.** She may just be a fashion animal or he's just a car freak, but kids who try to make sense of who they are by what they wear or have may need help looking inward before all their answers become shopping expeditions.
- **Anxiety attacks, unexplained illness, too much sleep, too little sleep.** Sometimes kids' bodies express what they are unable to articulate with words. Engagement—with anyone they can relate to: grandparents, aunts, uncles, professional counselors—is imperative. For some kids the pressures of abundance are too big to articulate or understand—and feeling unhappy about what everyone else in the world appears to yearn for is extremely confusing.
- **Acting out.** Whether it's creating drama to get attention, or flouting rules made to ensure a youngster's safety, the child who acts out can shift the center of power in the family. The child who is out of control—whether with spending habits, irrational

demands, or resentful sulks—is expressing anger, sadness, and confusion that, if not dealt with, can become intractable behavior traits.

From multi-million dollar marketing budgets aimed at influencing the way kids think and buy—to reality TV shows and the constant celebration of celebrity, kids are exposed to such an onslaught of ideas and messages that finding their own voice and feeling confident about their own ideas—or the values of their family—is virtually impossible. The values of fame and consumerism will fill any vacuum created by a lack of family values. Children disconnected from, or out of integrity with a family vision and values are vulnerable to this dark side of abundance.

Effective Financial Education Plans. Most families have good intentions when it comes to raising financially thoughtful kids, but great families are intentional. And success seems to include these elements:

- **A lifelong process.** Financial education is a process, not an event. Just as mastering a new language is easier when one is young, so is financial education. Using developmental stages as distinct learning periods, a strategy can devised that's manageable for the whole family. And the earlier one starts, the easier the task is. And learning doesn't end with graduation from college or grad school. Eric Hoffer, one of the great thinkers of the 20th century, said, **"Learners will inherit the future; the learned will be prepared for a world that no longer exists."** The emergence of the 60 Year Curriculum--appearing on sites like Coursera and Google Learning, as well as at schools like Harvard and Stanford--is a weak signal from the future; a clue that adaptation to change will require continuous learning for all family members.

- **Values and Family Mission.** Financial education is not just about the money. It's about raising great kids with values in concert with the family mission and goals. This is not to say that children who develop alternative values from the family cannot and will not be financially responsible. Rather, the point is that if parents want children to behave thoughtfully, that behavior must be modeled, discussed, and explored in the context of values explicitly expressed in word and deed. Employing a process to consider and express the values a family wishes to live by will go a long way towards giving kids a foundation as a financially responsible person..

- **Basic Skills.** How kids learn to manage an allowance and then additional income (gifts, earnings, trust income, etc.) will be a significant factor in the development of their character and values. Letting kids off the hook, not holding them accountable to budgets, promises, and commitments has the unintended consequence of telling them that financial responsibility is not serious business. An allowance for the eight-year-old and the 18-year-old is a tool for teaching how to be accountable, make thoughtful decisions, and be responsible. Indeed years ago, Thomas Stanley and William Danko, authors of The Millionaire Next Door, found evidence that parents who subsidize kids without making them accountable tend to raise financially dependent kids.

The most effective way to engage kids is not through lecture or sermon but with the art of experiential engagement. Children captivated by a small business venture, an internship, or a fund-raising activity acquire a deeper level of learning than most classroom experiences allow. And kids who participate in visits to potential philanthropic family investments grasp the issues at hand. Participating in a financial scavenger hunt with cousins is a lot more memorable than reading an online explanation of stocks or spending an hour with granddad's tax attorney, no matter how nice she is. Any education plan conceived without concern for an experiential dimension will go flat and be abandoned quickly. The plan that incorporates fun and adventure, communicating joy in the process of discovery, is the plan that will have impact on young lives.

Joline Godfrey has been an innovator in financial education for children and parents for over three decades. She is the author of Our Wildest Dreams: Women Making Money, Having Fun, Doing Good; No More Frogs To Kiss: 99 Ways to Give Economic Power to Girls; Twenty $ecrets to Money and Independence: The DollarDiva's Guide to Life; and Raising Financially Fit Kids.

As the founder of Independent Means, she created a unique developmental approach to financial education, giving families new tools for raising children growing up in the midst of abundance. That company was acquired in 2015. Godfrey is now building a new platform, The Unexpected Table, to offer products and services for nurturing financially mindful children and thriving families.

Godfrey was a Kellogg Leadership Fellow and the recipient of the Leavey Award for Excellence, as well as the Beta Gamma Sigma Entrepreneurship Award. Recognized in features for The Today Show, Oprah, Fortune, Business Week, The New York Times, and more, Ms. Godfrey is a frequent speaker and consultant worldwide. She lives in Ojai, Ca. and Tenants Harbor, Maine.

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