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CAREER TALK FOR WOMEN

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Raise Your Kids to Be Wealthy

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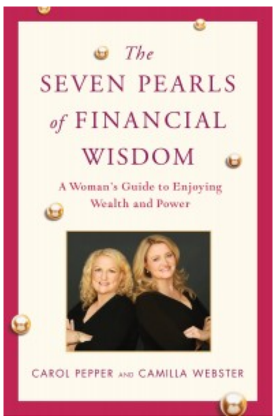

Just as you learn to value yourself financially and build your own wealth, you can raise your children to be wealthy as well. In The Seven Pearls of Financial Wisdom, a set of disciplines and ideas are designed to encourage women to enjoy their money and grow their wealth. There is an entire chapter devoted to *Motherhood* and the third pearl is: *A Woman Must Nurture Her Prosperity in Motherhood*. Why? Because over the age of 75, studies show over 13% of women are poor compared to 6% of men. My co-author wealth manager Carol Pepper and I would like to encourage and empower women to make sure they are financially secure while they support their families.

Raising independent, prosperous and money savvy children is part of the equation in building and maintaining wealth throughout a woman's life. As Mother's Day approaches, I wanted to share this short excerpt from the *Motherhood* chapter with you:

We know that of course you first want your kids to be healthy and happy. Wealthy probably comes far down the list of what you wish for your children. But wouldn't you want your children to be highly educated, to travel the world, to be able to explore beloved hobbies, and to contribute to society? We are sure you want your children to be able to maximize their potential, to enjoy their lives, and to leave the planet in slightly better shape than they found it. But all these things imply that your children will earn enough or have enough money to live life in something other than survival mode. We are sure you don't want your children to live in an unsafe neighborhood because they can't afford to live in a good area, worry about paying bills, and never be able to lift them- selves above a minimum-wage lifestyle.

We want to share with you five things you can do to inspire your kids to live out their highest potential as human beings and maximize their chances of becoming wealthy adults. It is well known that many of us have spent years trying to undo negative messages we received in childhood. Today, we are much more aware of the psychological cost of discouraging children. Mothers have a golden opportunity to avoid planting negativity into their children and sow thoughts that will program them for success, happiness, and wealth. This is the lifelong gift you can give to your chil- dren, regardless of the financial wealth you have—or don't have—to pass on to them.

Set a Great Example

This common piece of advice is the best and easiest thing that you can do to encourage your children toward financial greatness. Do your children see you and your partner embracing work that you love, eager to face the challenges that work sends your way? Or do they see you drained, discouraged, and resentful? Your attitude toward work is one of the primary driv- ers of your children's attitude toward work. If you don't love your current work, are you in school, training for a better life, starting a business on the side, or planning to job hunt? If so, then your kids will learn that it is okay to make changes and to seek to improve your working life. If you don't love your work, then don't expect them to show much enthusiasm for getting an education, which, in their minds, will only lead to a life of misery.

As you embrace The Seven Pearls of Financial Wisdom, you will naturally show your children how to be involved, responsible, and enthusiastic stewards of wealth. Your willingness to learn about money, live within a budget, and carefully take responsibility for your finances will speak louder than any lecture you can give. No matter what your means, choosing to live responsibly, avoid massive debt and financial chaos, and building for your future will show your children how to live well. Society and television will teach them how to consume; it is up to you to teach them the value and joys of contributing.

Joline Godfrey, in her excellent book Raising Financially Fit Kids, urges parents to make financial values explicit to children. Godfrey is the CEO of Independent Means, Inc., a company that provides innovative learning expe- riences for high net worth families. Independent Means' custom programs help families raise financially thoughtful family members and responsible beneficiaries. "We help families design what I sometimes refer to as a drip, drip, drip process," Joline said in an interview with us.

Financial education is a process, not an event. A weekend program is a great idea, but not enough. Kids need to see behavior modeled. They need to hear financial values spoken out loud, repeatedly, drip, drip, drip: "Saving is essential;" "Sharing is good;" "Managing your allowance well is expected," et cetra. And they need regular opportunities to prac- tice financial skills. Families that "drip" values, messages, and practice on their kids in a regular, thoughtful way—whether it's once a week, once a month, or once a quarter—are doing better than nothing, which is what most families do. Just do something in a constant way, and kids will have much greater potential to mature as financially thoughtful, secure adults.

Joline also emphasized the importance of modeling the work ethic and fiscal responsibility you want your children to develop. "Families say, 'I want my children to have a good work ethic,' and I remind them that to have a work ethic, you have to work or at least see people work. It doesn't mean kids have to watch you head off to a conventional workplace every day— that's so twentieth century—but showing kids what it means to be en- gaged in purposeful activity is critical."

If you tell your children that they should save money and live within their means, yet you are constantly in credit card debt and at risk of losing your house because of late mortgage payments, then your words will be hollow and have no real impact upon them. On the other hand, if you set an example of financial discipline and positive feelings about the possibili- ties that money brings into your life, then you will set a standard that your children are much more likely to embrace.

Furthermore, it's important to give your children many opportunities to practice making business decisions and investing money before they reach adulthood. Today, Dune Thorne is a managing director at Silver Bridge Advisors, where she works as a financial adviser for sophisticated and com- plex families with multiple family branches and generations. Dune is also dean of the Silver Bridge Institute, an educational initiative that runs fo- rums, seminars, workshops, and customized educational sessions for their affluent families. Dune's interest in this work started when she turned eighteen and became responsible for a family trust that her grandfather had set up for her.

The adviser I was assigned to put me in a mutual fund that was an all- equity growth fund with a high allocation to technology stocks. At this age I didn't know any better and figured that I wanted to grow my assets so these smart advisers must know what is best for me. They never asked me what my goals were, which was primarily to use the money to pay for graduate school. The greatest learning experience was when the fund went down by seventy-five percent and I still needed to pay my business- school tuition each semester. Big picture, it was the right time of life when it happened. I was not married, I had no children, and business- school tuition was an expense that I felt strongly about paying, even if it took all my financial resources. This experience was so valuable because it made me realize how quickly wealth can be created and how quickly it can be lost, and how important it is to understand the timing of the cash flows.

Dune's research at Harvard and life's work in this field continue to re- veal the financial education gap that exists for wealthy families around money matters. "When you grow up in a family of means, it can often be assumed that you automatically learn how to manage it, but this is not the case. Families need to set aside the time to not only teach their children but also share their money values and goals so that their children understand how the choices they make with their human capital and financial re- sources can impact the world and their legacy," says Dune.

Teach the Importance of "The Big Three"

From the beginning, it is important to emphasize that you can do three things with money: save it, spend it, or give it away. The goal is to train young people from the beginning that some portion of all money is given back and some portion is saved. You can do this by using shoe boxes or other containers and dividing their allowance and any monetary gifts they receive into three parts. You can explain that this is how everyone in the family handles money—if, of course, that is indeed true of your family.

A great example of this philosophy is the allowance contract that John D. Rockefeller Jr. drew up with his son John III in 1920, when his son turned fourteen. The contract, reprinted in Smithsonian magazine in June 2004, specified that 20 percent of John III's allowance would go to savings and 20 percent would be reserved for "benevolence," or charities. John III was to write down every dollar that he spent and provide his father with a receipt. If he didn't perform this task, then his allowance would be reduced. Conversely, if he did a good job with his money, then his allowance would be raised. It is clear that his father was treating John III as an adult, providing him with an incentive to do well and letting him know that there would consequences if he didn't comply with the agreement. Both parties signed the contract, thereby making John III responsible for understanding the terms of at least this part of his inheritance. There were rules to prevent cheating. John Jr. also motivated his son to save by providing "match funding" for any extra amounts that John III contributed to his savings. Today's parents could do worse than to draw up a simple contract with their children along the same lines. Keep in mind that John Jr. was the richest man in America at that time; this did not mean, however, that his son got a fortune for an allowance.

"MEMORANDUM BETWEEN PAPA AND JOHN REGARDING AN ALLOWANCE

May 1920

1. Beginning with May 1st, John's allowance is to be at the rate of one dol- lar and fifty cents ($1.50) per week.

2. At the end of each week during which John has kept his accounts accurately and to Papa's satisfaction, the allowance for the succeeding week will be increased ten cents (10¢) over the week just ended, up to but not beyond a total per week of two dollars ($2.00).

3. At the end of each week during which John has not kept his accounts accurately and to Papa's satisfaction, the allowance for the succeeding week shall be reduced ten cents (10¢) from the week just ended.

4. During any week when there have been no receipts or expenditures to record, the allowance shall continue at the same rate as in the preced- ing week.

5. During any week when the account has been correctly kept but the writ- ing and figuring are not satisfactory, the allowance shall continue at the same rate as in the preceding week.

6. Papa shall be the sole judge as to whether an increase or a decrease is to be made.

7. It is understood that at least twenty percent (20%) of the allowance shall be used for benevolences.

8. It is understood that at least twenty percent (20%) of the allowance shall be saved.

9. It is understood that every purchase or expenditure made is to be put down definitely and clearly.

10. It is understood that John will make no purchases, charging the same to Mama or Papa, without the special consent of Mama, Papa, or Miss Scales [a family governess].

11. It is understood that when John desires to make any purchases which the allowance does not cover, he will first gain the consent of either Mama, Papa, or Miss Scales, who will give him sufficient money with which to pay for the specific purchases, the change from which, together with a memorandum showing what items have been bought and at what cost and what amount is returned, is to be given to the person advanc- ing the money before night of the day on which the purchases are made.

12. It is understood that no governess, companion, or other person in the household is to be asked by John to pay for any items for him, other than carfare.

13. To any savings from the date in this account which John may from time to time deposit in his bank account, in excess of the twenty per cent (20%) referred to in Item No. 8, Papa will add an equal sum for deposit.

14. The allowance above set forth and the agreement under which it shall be arrived at are to continue in force until changed by mutual consent.

The above agreement approved and entered into by

John D. Rockefeller, Jr. John D. Rockefeller 3rd"

Giving your child this level of financial discipline is one of the best gifts you could possibly give him or her. Habits instilled when children are very young will last a lifetime. Your child will have the pleasure of seeing his or her savings grow and the joy of helping others while always knowing exactly what he or she is spending. Practicing the discipline of writing down everything that you spend will take away the mystery of seemingly "disappearing money." Programs and apps like www.mint.com make this a much less tedious task than it was in the 1920s; kids can easily record their spending online, track their savings accounts online, and open online charitable funds for giving.
