



Ron Lieber

Priceless!

The Gift of Financial Literacy

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What's the point of an allowance? It's a tool to help teach values and character traits like patience, moderation, thrift and generosity. -Ron Lieber

Ron Lieber is the "Your Money" columnist for *The New York Times*. Before joining *The Times* in 2008, he wrote *The Wall Street Journal's* "Green Thumb" personal finance column, was part of the start-up team at the paper's "Personal Journal" section, and worked at *Fortune* and *Fast Company* magazines.

Mr. Lieber's book, *The Opposite of Spoiled*, is meant to be a practical guidebook for parents who want to use conversations about money to imprint good values. It covers all the basics: the best ways to handle the tooth fairy, allowance, chores, charity, saving, birthdays, holidays, cell phones, checking accounts, clothing, cars, part-time jobs and college. And it also identifies a set of virtues and character traits like modesty, patience, generosity and perspective that all parents hope their kids will carry with them out into the world.

According to Mr. Lieber, children are hyper-aware of money. They have scores of questions about its nuances that parents often don't answer or answer well. But good parenting means talking about money with your kids much more often. When you avoid it, you lose a tremendous opportunity—not just to model important financial behaviors but also to imprint lessons about what you care about most. The world is changing, fast. Our kids need to be ready to take on all of the financial responsibility that the world heaps upon them, from the run-up to the six-figure decision about where to go to college to the crucial choices they must make in their 20s about retirement savings and health insurance.

1. Every conversation about money is also about values

Allowance is about patience. Giving is about generosity. Work is about perseverance. Negotiating wants and needs and the difference between the two has a lot to do with thrift and prudence. And running through these conversations is a desire for kids to have perspective – to know why they may have more than most people in the world but will probably never have more than every one of their peers. And why there is no shame in having more or having less, as long as you're grateful for what you have, share it generously with others, and spend it wisely on things that make you happiest.

2. No lying

Because money is so fraught, it may feel right to lie sometimes, particularly when children persist with unreasonable demands or ask the wrong questions at the wrong time. Perhaps the most common fib is, "We can't afford it." Another untruth is "I don't have any money." At some point, many kids won't actually believe the lies, and the untruths can create new problems. The hidden message of offering the truth to children is that you and your children can work together to manage difficult issues. Children also learn that if they ever need a straight story, they can count on you. The best response is, "Why do you ask?" A child's response often falls into one of two categories. The question may result from idle playground or lunch table talk. The second category springs from fear of some sort. Kids may overhear parents fighting about money or arguing about it with someone on the phone. The 'why do you ask' strategy gives you a shot at finding out the source of the anxiety. Once it's known, it often becomes clear that most kids, the younger ones especially, just want reassurance that things will be okay – that they won't have to move or leave their school or give up a pet. One thing that makes parents reluctant to simply tell the truth about their income or net worth once kids are ready is this persistent concern that they will tell other people. But parents shouldn't underestimate how much kids just want to be like everyone else. Children of all ages generally don't want their peers singling them out as having more or less than others, so they may try harder than you do to keep the information private.

3. The Allowance Debates

What are we really trying to accomplish with an allowance anyway? When parents tie allowance to the completion of chores, they make work the primary focus, not money. We should do our part at home by making

our kids do all sorts of chores. But they ought to do them for the same reason we do – because the chores need to be done, and not with the expectation of compensation. Allowance ought to stand on its own, not as a wage, but as a teaching tool that gets sharper and more potent over a decade or so of annual raises and increasing responsibility.

- When to start: By first grade at the latest.
- How much: With children under 10, \$.50 to \$1 a week per year of age is a good place to start with a raise each year on their birthday.
- System for storing/tracking: Three plastic containers – one each for spending, giving and saving.
- Dividing the money: Keep things easy at first by putting an equal number of bills in each container.
- Sticking to the program: Hoard \$1 bills or join a credit union and drop in anytime to exchange \$20 bills for singles. Set a calendar alert for each Saturday morning so to remember to distribute the money.

4. Wants vs. Needs

To avoid whining and arguing while also giving kids some say in the matter involves doing two things: First, create a Want/Need continuum – literally a horizontal line drawn on a piece of paper for the kids to see – with Needs at one end and Wants at the other. Mr. Lieber uses the example of rain boots. At the left end of continuum are the discount/used boots that may cost \$25. Label that end Need. On the right end, are the Hunter or other brand-name boots that cost well over \$100. Label that end of the continuum Want. Second, draw a vertical line that crosses the horizontal continuum somewhere between the low extreme and the \$100-plus one. It's a sort of proverbial line in the sand that represents what you're willing to pay for a child's need (anything to the left of the line) and what you won't (anything to the right, up to and including Hunter boots). His fix is to draw "the Land's End Line," which works like this: "We'd pay whatever Land's End (his definition of a suitably mid-priced merchant that makes quality clothing) would charge for any clothing needs even if an item comes from some other designer." Anything to the right of the Land's End line would be a Want. And if your child craves that item, then they could pay, out of their Spend or Save containers, the difference between its price and the price of a similar item at Land's End.

5. How to Talk About Giving

There are at least three ways to explain why giving money to help others is a good thing to do. One way to describe it as a sort of duty – families who have more than they need ought to give something to those who have very little. Older children may appreciate learning that research on happiness shows that the amount we give away is a great predictor of how happy we are. It's as strong a predictor as income! Finally, the last point is that communities are stronger when people know they can rely on one another. Giving generously when we can helps reinforce our common bonds.

6. Why Kids Should Work

Kids like to work and enjoy earning money; we just don't do a good enough job of encouraging their industriousness and helping them find new ways to earn. We can give them bigger and better jobs around the house. We can shuttle them back and forth to their chosen paid pursuit in the same way we might if they needed early-morning rides to swim practice five days a week. We can even ask them to take a much bigger role in paying for college than we might have thought possible. Concerned over how a job would affect your children's grades? Don't worry. Part-time jobs are correlated with high college expectations and good grade point averages so long as a teenager doesn't work more than 15 hours per week.

7. Gratitude and Grace

Feeling fortunate is good for kids. A number of scholars have measured gratitude levels in children and found strong correlations between gratitude and higher grades, levels of life satisfaction, and social integration. There's also a link between gratitude and lower levels of envy and depression. One way to foster a culture of family gratitude is to establish a grace-saying ritual. If discomfort with the idea of a divine spirit is what's keeping you from expressing gratitude, then you need to find ways to say a godless grace. It can be as simple as asking everyone at the table to talk about one thing that happened that day that made them feel grateful or lucky. Once we create an environment in our homes that nurtures gratitude and perspective, we can turn to the world outside. Kids need to hang out with people who are different from them. Participate on team sports on city-wide teams, send your kids to overnight camps in a different state, or simply take a day from your weeklong resort vacation and do what the local families in the area do (attend a sporting event, find an open air bazaar or visit someone's home) – bonus points for taking public transportation to get there!