



Schwartz Financial Services

Comprehensive Wealth Management & Retirement Planning

Michael L. Schwartz, RFC®, CWS®, CFS

Financial Responsibility – It's Never Too Early To Start

Children and money will always be linked together. From birth to adolescence and from college graduation to having children of their own, children will always be linked to money and finances.

How do children learn to manage money?

Should they learn at school, from social media, their peers, by mismanaging at first, or should they learn from watching their parents?

The answer is a combination of all the above. Children will learn many of their earning, saving and spending habits from a variety of sources. How can you make a difference in preparing your children or grandchildren to comfortably face the multitude of financial challenges they will encounter as they grow up?

At first glance, money seems like a simple concept and one that would not require a lot of education. Children learn about money very early in life, usually by spending it, then hopefully by earning it! **Is it necessary to introduce smart and frugal financial habits at an early age? Absolutely!**

If you take a look at all of the financial difficulties that we encounter as a society, it becomes obvious that there is a need for financial education. We all encounter many opportunities to educate our children and grandchildren about financial responsibility. Through financial education and teaching by

setting a strong example, your children or grandchildren could have a leg-up in developing sound financial habits that will hopefully last a lifetime.

We all know the old saying, “Money can’t buy you happiness.” Please keep in mind that one of the main purposes of having children and grandchildren is to reward you with a lifetime of happiness. **If you help them understand money, you can help eliminate potential stress, financial burdens and emotional strain that the misuse of money can bring.**

Does this mean that you should enroll your 4-year old child or grandchild in a finance class at your local college? No! **But it's never too early to share helpful information when it comes to money.** The goal is not to expect that your child will accumulate great financial riches, but rather to provide sound advice and values so that as adults they can avoid potential financial pitfalls and live comfortably and financially stress-free.

Here are several things that you can teach your children or grandchildren about money that can help them.

Educate and empower your children or grandchildren to become regular savers and investors.

Take an active role in teaching children to keep more of the money they earn. Teach them to be

thoughtful in what they spend their hard-earned money on. Everyday spending decisions that they make can have a great impact on their financial future more so than many of the investment decisions they will make in their lifetime. Teaching children how to think about saving money rather than spending it on toys and trendy items can hopefully prepare them for later in life when those decisions are about sport cars or swanky vacations.

Communicate openly and regularly about your values on spending and saving money.

It is your responsibility to share with your children or grandchildren how to save money, let it grow, and most importantly, when and how to spend it in a timely and wise fashion. These types of discussions should not be a one-time lecture, but rather consistent and regular dialogue so the lessons learned become part of that child's personal fabric.

Teach your children the difference between a need and a want.

One of the most difficult concepts for children to understand is the difference between a basic



need versus a want. Helping them rationalize and learn the difference will teach them about how to spend and allocate their money so that as they grow into adults they have a healthy relationship with money. It is okay to allow

children to give in at times to wants and wishes, but there is a clear need to distinguish the

difference. Many adults struggle with this balance and sink into debt because they cannot distinguish and control their spending habits on frivolous wants, versus frugally spending it on needs. While our society encourages us to spend, spend, spend, and buy items that are not necessities, it is your responsibility to teach your children financial education. Share with them that they should first look to meet their everyday needs, plan for emergencies, grow their savings, and finally consider spending their money on “want” items.

Introduce the concept of saving versus spending.

It might not be appropriate for you to dictate what your child saves versus spends, but it is certainly helpful for you to teach the concept of earning interest and potential growth on savings.



Consider opening an interest bearing account with the money children save at home or possibly offer them a small interest amount on money you save for them. Show them how you calculate that interest and have them watch it grow! Some parents even offer to match what their children save on their own so they are encouraged and “bonused” for saving their money. The bottom line is this: it is your responsibility to introduce to your children the value and benefit of delaying immediate gratification, and opting for saving that money.

Use your own regular shopping trips as opportunities to teach your children or grandchildren about the value of money.

For many children, going to the supermarket is one of their earliest and most frequent spending experiences. Groceries and household items are an important use of our earnings and spending smarter at the grocery stores can help the family better allocate monies to different areas. When possible, use coupons and look for sales as ways to show children strategies that help them reduce the recurring but necessary spending. Make it fun and have them search out coupons on items that you regularly use. Another learning tool is to show them how to compare unit prices and values. Try to train them to constantly look for ways to save and avoid being wasteful. One strategy is to plan your supermarket trip and purchases by making a list in advance and then teach your children not to impulse buy.

Alert children to the dangers of borrowing money and paying interest.

Unfortunately, many times the bank of mom and dad, or grandpa and grandma, typically do not charge interest on large or small loans. Therefore children or grandchildren never learn how expensive it is to borrow money! It is never too early to teach children that paying for something over a long period of time with a 12-18% interest rate means that although the buyer may pay less up-front or per month, they pay far more for the purchase over the time of the loan.

Think about establishing regular family discussions about finances.

This can be especially helpful for pre-adolescents and teenagers. It can provide the

time to discuss topics like cash, checks and credit cards. You can talk about wise spending habits and the proper use of credit, a problem that plagues many people later in life who have not learned this lesson. It is helpful as well to discuss what is happening both nationally and locally in the economy and how it can affect or change your thought process about economizing. **We always remember what Benjamin Franklin said, “A penny saved is a penny earned.” Keep in mind that although that penny saved is a penny earned, it won’t help you as much at the end of the day if you still owe a dollar!**

Review your allowances and expectations.

Many experts differ on whether or not allowances should be tied to household chores. Some say children will learn more about personal responsibility if they



are not paid for helping out at home. Others feel it teaches a valuable lesson about working and earning. One way to solve this issue is to let your children know that good grades and regular help around the house is expected as a price of family life. You may consider paying your children for chores outside of the daily duties, such as washing the family car or working in the garden.

Conclusion

There is no assurance that any child will accumulate financial savvy. **Your true goal is to provide guidance and help your children or grandchildren prior to adulthood learn the basics of personal finance.** While we can

never fully guarantee any results, you will hopefully leave a far greater legacy with this information than those who choose to ignore this topic. It is never too early or late to sit

down and discuss finances with your loved ones. Financial responsibility is a necessary, life-long skill.

Schwartz Financial 2016 Client Advocate Program

This year, our goal is to offer our services to several other clients like yourself. We would be honored if you would:

- Suggest a friend to receive our mailings
- Share this newsletter with a friend or colleague
- Bring a guest to one of our workshops
- Share the news of our complimentary consultations

Those clients who do any of the above will be entered into our Client Advocate Program which includes our sincere gratitude and a special event invitation.

If you are currently not a client of Schwartz Financial, we would like to offer you a complimentary, one-hour, consultation with one of our professionals. Please call, 215-886-2122.

Michael L. Schwartz, RFC, CWS, CFS, a registered principal offering securities and advisory services through Independent Financial Group, LLC Member FINRA-SIPC. Schwartz Financial and Independent Financial Group are unaffiliated entities

This article is for informational purposes only. This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice as individual situations will vary.

For specific advice about your situation, please consult with a financial professional.