



## **PROGRAM SUMMARY**

2015 Spring Speaker

How To Talk To Your Kids About Money

National Cathedral School

*April 7, 2015*

### **How To Talk To Your Kids About Money**

**Spring Speaker Program featuring Ron Lieber**

#### **WELCOME AND INTRODUCTIONS**

Ms. Tricia Karppi, Parent Association President of the National Cathedral School welcomed attendees and introduced Parents Council President Joan Levy who also welcomed everyone and thanked the National Cathedral School for hosting the program with special thanks to Ms. Kate Hornyman, Director of Parent Relations and PCW Representatives, Ms. Marlin Dohlman and Ms. Allison Wolf.

Board Member Julie Ray introduced the keynote speaker, Mr. Ron Lieber, “Your Money” columnist of *The New York Times*, author of the newly published *The Opposite of Spoiled: Raising Kids Who Are Grounded, Generous, and Smart About Money* and former columnist of *The Wall Street Journal*.

## PRESENTATION

After thanking participants for attending, Mr. Lieber opened with a brief background story of how he became interested in money at an early age. Growing up in Chicago, his family faced financial difficulties when his father lost his job. After his parents' divorce and when it came time to apply to colleges, his mother encouraged him to be resourceful and helped him reach out to the Associate Director of Financial Aid at Northwestern who taught them about the financial aid system and how to work within its existing rules.

Mr. Lieber quickly learned the lesson that the adult world involves complicated systems, but that someone out there is available to help you figure them out and how to work around them. His mother fostered conversations and involved him in decisions regarding his future, his debt and his college expenses. The experience later marked Mr. Lieber's entry into the world of financial complexity that ultimately became his journalistic focus. Editors at *The Wall Street Journal* hired him after they noticed him "beating" systems in a few of his publications.

While working as a personal finance columnist, Mr. Lieber became a parent and was often stumped on how to address his young daughter's money questions such as why there were more toys at her cousin's house and less at her house. Seeking to imprint good traits, he turned to the Internet and posted a column asking others to come up with answers to those difficult types of questions. Parents took notice and started reaching out to him with advice on how to handle issues relating to money, affluence and socio-economic diversity. Schools were telling their children to tone down pictures on social media of expensive purchases such as phones or other items as well as pictures showcasing private drivers or families in unique, luxury settings. Parents felt they were being asked to apologize for not just what they had, but for who they were.

Serious conversations about this issue are taking place nationally. When Mr. Lieber was ultimately approached to present at a school, he tried to think about a common notion exhibited by parents. The single word he came up with, and one all parents seek to

avoid, was children who are “spoiled.” Spoiled children are not born that way, but instead are made by their parents. The important values and character traits to instill in our children should be modesty, thrift, patience, gratitude, delayed gratification, prudence, grit, perseverance, curiosity and perspective, and money is a tool that can help teach them every single one of these traits. Embracing our children’s questions about money, engaging them, including them and promising them that we will provide answers are ways to transmit these values. We miss opportunities by telling them that money issues are none of their business. As members of the family, budgets and income have an impact on them. Avoiding conversations about money sends the message that these matters of great importance are off limits and that their curiosity, interest and ideas are not welcome.

To assist parents with ways to respond to younger children, Mr. Lieber indicated that we need ready-made answers to questions to use as a stalling tactic to first grasp why the questions are being posed. He explained that to honor their curiosity we should initially counter with another question such as: “Why do you ask?” Children might ask how much the house costs for example. In many cases, the questions asked stem from something that happened that gave them reason to inquire and comes from misplaced anxiety. They are not necessarily looking for us to provide them with a dollar amount, but instead might have overheard a conversation or argument about money between parents. Once children learn how to read, the misconceptions come in a thousand more different ways.

Mr. Lieber noted the three jars on the cover of his new book represent the foundation for all conversations with children about money. For 5 and 6 year-old children receiving their first allowances, the jars provide a visual way to divide their money between giving, saving and spending and stand for the values of modesty, thrift and prudence. As adults, financial planners also advise following a similar system. The benefits of practicing these three values show that spending makes us happy and provides satisfaction, saving promotes patience and delayed gratification in a world that conspires against waiting

and giving builds generosity and gratitude. These are skills that help our children become generous, responsible citizens and from which adults can also learn.

In response to a question from the audience regarding allowances and whether they should be tied to chores, Mr. Lieber addressed that children can be very capable of making dinner and fulfilling chores without receiving payment in return. In fact, he advised that chores related to self-care should never receive any form of payment. Paying for chores can easily backfire as a child grows older. They may choose to say that they have “enough money” and opt out of performing a chore. Paying children for chores does not promote the values of hard work and perseverance parents think it does. An allowance should be viewed as a teaching tool. It should not be taken away when children do not perform; rather he suggested that privileges provide parents with more leverage and should be what is taken away instead.

Mr. Lieber also spoke on the idea of needs vs. wants as another concept for parents to have conversations with children about money and spending. When a child wants to buy something, families should determine the importance of the item desired in comparison to the need based on the financial payment they are willing to and feel comfortable with spending. By helping children understand the value of money in a disciplined way, parents can clearly draw the line on how much they are willing to pay for something a child wants and allow the child to cover the additional cost and be involved with the decision. Cell phones are a prime example. Smartphones are not a necessity. If children want a specific phone, they can pay for the data plan and cost differential. Parents can also establish a list of banned items that may include certain brands that do not represent family values. Mr. Lieber jokingly mentioned that grandparents tend to break these rules, however, by buying our children want they want, but it’s a trade-off when children enjoy spending time with them.

Mr. Lieber recounted a story about a farm family whose children are all responsible for a variety of chores from 5 years old and up. These children were born into work and are paid for their farm jobs, but not their household ones. He added that every child should

experience a different way of living from regular life with less and if not on a farm, special summer camps offering basic, simple lifestyles with no plumbing or electricity are good options to choose from. Stripping away what we are used to and living a basic lifestyle forms a strong community and reminds children that most of the things they have are probably not needed. Fun is created together and everyone relies on each other instead.

Mr. Lieber shared another idea for teaching younger children how families make charitable donations. Using 100 beans, his family first lists the names of the organizations important to them, then places the number of beans next to each organization indicating the percentage of the family's donation to that organization. Parents can involve children by asking them if there are any organizations they wish to also include on the giving list. For example, Mr. Lieber's daughter enjoys summer camp and wanted to give money to support other children who cannot afford to go. This exercise provides a clear understanding that your family gives money to places you believe in and that stand for important values. Generosity is one short stop on the way to gratitude. Remembering or focusing on what we already have is rewarding enough. Tests have proven that a daily ritual of being thankful has the power to improve our mental and physical health. Toasting and celebrating is another practice to participate in as a reminder of great things we have or have accomplished. It all acts as diverting our attention from wants.

Another way children can derive a sense of generosity is by donating their time or purchasing a needed item for someone with the money in their "give" jar. The trade-offs of time vs. money are again an important lesson and tool for conversation.

One of the reasons Mr. Lieber wrote *The Opposite of Spoiled* was because our 17 year olds are faced with the task of making six-figure decisions that will impact their futures during their college search process. The decisions of which school to attend and how much to spend or borrow are big decisions to make without basic cost and benefit data or without having had discussions about money. How do they decide? Is a brand name

better? Is a more expensive school better? Parents need to have conversations about values and money with their children to give them the tools to handle these types of decisions.

## Q&A

### **Q: How can parents deal with consumerism with kids of different temperaments?**

A: Sometimes things we try with one child may not work with another. The “three jar approach” of give-save-spend works with all types by reminding them of what they have and what they can get. Spenders learn to see what it feels like to have an empty jar. With hoarders, it’s important to be patient. They will eventually start to spend. Give them as much control as possible. Sticking with the jars until the age of 9-10 helps them learn to collect, watch and grow money. Once children are older, families can help them transition to a bank account.

### **Q: Do you have a list of books or movies to foster family conversations?**

A: Mr. Lieber is working on a list of fiction and non-fiction books about money geared for children. People can sign up for his newsletter at [www.ronlieber.com](http://www.ronlieber.com).

### **Q: Should girls set their prices for babysitting services?**

A: Mr. Lieber is all for kids negotiating in general. He thinks babysitters should ask for the highest amount possible. He added that we tend to speak to girls differently than we do boys and that we need to ensure that we are also empowering girls to be effective advocates at every age.

### **Q: When we travel to other countries, we make our kids decide if they should get an item in the foreign currency or in US dollars. Do you have any other suggestions on what we can do?**

A: One step further would be to have kids create budgets in excel, learn about the stock market, mortgages, interest, percentages and compounding and even to start saving for retirement early. Show them what all of that looks like. Put them in charge of the utility bill and challenge them to come up with ways to lower it by 10%.

**Q: You have provided us with amazing tools to get kids to think about money. In a world of savvy kids figuring out that peers may have more, how do we keep our kids grounded?**

A: Try to keep things in perspective. Kids do understand and size everything up and can experience a loss of dignity with constant visual reminders of what other kids have that they don't. We all run into this issue. Someone out there has something we want or has more than we do and it's not bad to encounter this. The key is experiencing the trade-offs and sacrifices. Explain what your family stands for or give them numbers. If we spend "x" amount on something, we won't be able to do other things that are important to us as a family.

