Parents Council
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PCW Spring Speaker, Beth Kobliner
"Raising 21st Century Citizens: The Money Talk"
April 12, 2018
Georgetown Visitation Preparatory School

The Parents Council of Washington Spring Speaker Event featured Beth Kobliner, a leading journalist and commentator on personal finance and the author of *The New York Times* bestselling books *Get a Financial Life: Personal Finance in Your Twenties and Thirties* and *Make Your Kid a Money Genius (Even If You're Not)*. Ms. Kobliner addressed an audience of 100 PCW member school parents, administrators and teachers, as well as members of the general public. Mary Kate Blaine, Principal, welcomed attendees on behalf of our host, Georgetown Visitation Preparatory School.

Ms. Kobliner spoke on the need to educate children and young adults on financial matters. She began the presentation with a short video featuring Kate McKinnon of Saturday Night Live (and herself) talking with young children about money. Following the video, Ms. Kobliner remarked that parents often find it more difficult to speak with their kids about personal finance than about other challenging issues such as sex and drugs.

Ms. Kobliner addressed the four most common questions she has been asked by parents and teachers:

1. What is the best age to start talking to children about money?

Ms. Kobliner said that, by age 3, children are beginning to understand that money is important, and, by 7, money habits are beginning to be set. It is important for parents to address the issue in age-appropriate ways and to take advantage of everyday moments. Much of managing money is now invisible to kids because of our reliance on credit/debit cards and online payment methods. Ms. Kobliner suggested that we use cash in front of our children, in order to teach them about making choices. She also noted that studies show that people spend more when they use credit or debit cards than when they use cash.

2. What traits are most important in building good money habits?

Ms. Kobliner stressed that kids need to learn to wait and save for things they want. There are a number of ways that parents can encourage saving, including by matching funds. Once children reach middle and high school, parents can teach them about compound interest, and how money can grow over time if invested wisely. Parents can suggest to young adults to put savings into a Roth IRA. If these are started early, such investments can have impressive results. She remarked that if you save $1,000 per year between the ages of 20 and 30, by the time you are 60 the Roth IRA will be worth $200,000, even if you do not make any contributions to it after age 30. If you wait to start the plan until your 30s, you will only have $150,000 at age 60. She also noted that when applying for college financial aid, savings in Roth IRAs, traditional IRAs, 401(k)s and 403(b)s are not reported as assets on the Free Application for Federal Student Aid (FAFSA).

3. Should I give my kids an allowance?

Ms. Kobliner said that there is no consensus as to whether parents should give their children an allowance, but acknowledged that many parents do. If given, allowances should be clear, consistent, made in cash, and not tied to chores. Rather, chores should just be a regular household expectation, because they build a sense of responsibility and make kids feel part of a team (the family). Ms. Kobliner added that children should not be paid for getting good grades because all evidence shows it does not work. Achievement should be internally motivated.

4. How do we discuss paying for college?

Ms. Kobliner urged parents to start discussions concerning college expenses at the beginning of 9th grade. Again, this makes teens feel part of a team and will help them develop realistic expectations. If the family does have some money earmarked for college, tell your children. Studies show this may make teens more likely to actually go to college. Studies also show that college graduates will make $1,000,000 more than non-college graduates over the course of a lifetime.

Parents should not feel guilty about having their children take on student loans. In fact, most students rely on them. The job of parents is to help kids navigate the loan process and to work with students to help them choose a school that is affordable for them. Ms. Kobliner advised that students should always use federal student loans, rather than private ones. Federal student loans tend to have the lowest fixed interest rates available and offer flexible repayment options. She remarked that kids who help pay for college have a slightly higher GPA.

Ms. Kobliner also spent a few minutes talking about credit cards and their use by teens and young adults. In 2009, Federal legislation was passed requiring that teens/young adults be at least 21 to get a credit card, unless they have sufficient income to repay borrowings or have an adult co-sign the application. Ms. Kobliner advised, however, that parents should never co-sign credit card applications for their kids. This can have the unintended consequence of hurting the parents' credit score. She stressed that kids should wait to get a credit card until they can pay off the balance in full every month. She further recommended that during the college years, parents give their children a debit card, pre-loaded with some funds for each semester, and advise the students to wait to take out a credit card until at least Junior or Senior year of college.

In closing, and during the Q & A session that followed her remarks, Ms. Kobliner offered some final tips:

- Money can be a stressful topic for families. Don't fight with your spouse about money in front of children.
- Studies show that parents talk to sons about financial matters more than to daughters. Talk to your daughters about money!
- Treat each of your children equally on money matters. Talk about values and what is important to your family.
- Parents can open a bank account for elementary school-age children to help them learn about spending and saving.
- Parents should help teens and young adults learn about securities and investing -- in particular that investing in index funds is almost always a wiser choice than investing in actively managed stocks.
- In addition to her own books for young adults, Ms. Kobliner recommended *A Random Walk Down Wall Street* by Burton Malkiel and the Lightbulb Press series on finance. She also suggested that the audience read *The Color of Money* column by Michelle Singletary in the *Washington Post.*
- Students should consider staying on their parents' health insurance until age 26. In the "gig economy," their post-college jobs may not provide insurance. The leading cause of bankruptcy is a health issue with large medical bills.
- Ms. Kobliner also urged teenagers to be careful about balancing part-time jobs with school. If possible (and depending on the family's financial situation), students should try to keep job commitments to fewer than 15 hours a week while school is in session. Otherwise schoolwork may suffer.
- Colleges will expect teens to contribute 20% of their savings (other than savings invested in retirement accounts) to pay for college. However, FAFSA asks parents to contribute a much lower percentage of their assets. So effectively student savings are penalized in financial aid packages.
- What about purchasing a car for a high school student? Ms. Kobliner suggested that instead of doing this, it might make more sense to loan the student a family vehicle when needed, and have the student contribute some amount to the costs of operating and insuring the car.

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