

Teach Your Children Well

12 Steps to help teach kids about the value of a buck.

By Ben Stein

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Money is a tricky, emotionally loaded subject. Clichés and aphorisms can replace good sense, and outmoded ideas often rule a changed economic roost. But some maxims are as valid as ever.

Money is an area where most of us have made so many mistakes of our own that we cannot easily hold ourselves up as paragons of virtue. Nonetheless, it's also an opportunity to tell our kids about something that will have a powerful, perhaps even decisive influence in their lives. If they develop good habits about money- earning, saving, investing, and spending- their security and confidence in life will be greatly enhanced. If they develop self-destructive habits, almost nothing can save them from impoverishment (either real or relative), and certainly nothing can save them from anxiety.

What are my credentials to offer any advice on this huge subject? One, my father, Hebert Stein, was a famous economist and former chairman of The Council of Economic Advisers for two Presidents. He offered many suggestions about money to me, and they all turned out to be helpful, even brilliant. Two, I am deeply concerned with principles of getting and spending money- both my own and others- and am a compulsive cataloguer of what works and what doesn't. Three, I have given my teenage son guidance in this field, and I can see some it working already. Of course, it does not work if he ignores it.

So, here are some general theories of children, habits, and money, just as I tell them to Tommy, and many just as they were told to me.

1. **Money is to be enjoyed.** It's not a tool to torture yourself

with or to torment other with. It's not a nest of black widow spiders that lie in wait to bite you. Used properly, it's like love or food- it can provide limitless pleasure and reassurance. To be enjoyed, however, it has to be there when you need it. That means you have to take certain measures and adopt a smart, prudent mind set around it. And that means...

2. **You have to take charge of your money.** It will not be done for you once you reach adulthood. In this world, there are a multitude of advertisers and hucksters selling you cars and stereos and video games and dresses and vacations and meals and haircuts. They don't care if you overspend and get yourself in debt.

You can get a start on this issue by taking some responsibility for your money now- by not spending more than your allowance, not even thinking about wanting ridiculously extravagant toys and games, by realizing that money is a limited good, and by adjusting to that limit. Any child can make a list of a million things he or she should have and "deserves". That's also true of adults. But no matter what your friends have, or what the cool thing to have now is or in the future, you do not need it if you can't afford it.

3. **Do not spend so much that you get into debt.** That is, except in dire emergencies of health, do not spend more than you earn. Only borrow for a home or a car. Living in debt is nerve-wracking, insomnia-producing, and family-wrecking. Creditors will hound you and threaten you. You won't be able to feel good about yourself. Just don't do it. There is nothing you can buy that feels as good as being in debt feels bad.
4. **Don't lend money except to the U.S. Treasury or to banks by having bank accounts or certificates of deposit.** The sad fact of life is that individuals to whom you lend money are usually the kind of people who are financially reckless and who will not pay you back. "Loan oft loses both self and friends," says Shakespeare. He was right. My unvarying experience is that all people who are nifty and nutty enough to borrow from personal friends are also nutty

enough to persuade themselves that the loan was a gift.

5. **Don't try to buy friends by giving gifts or paying for movies or shows or games.** It's fine to be generous to those you love and even like by giving gifts on birthdays or other special events. But don't try to bribe people to be your pals. If they have to be bribed, you don't want them as friends. I have done this, and it never works except to make yourself crazy. Save your money or spend it on people who really care about you- or even on yourself.
6. **Get in the habit of giving to charity early.** That way you learn just how good it feels to have money to help those less fortunate than yourself. (This does not include drug addict roommates in college.) It also provides you with an excellent incentive to make more money.
7. **Start saving early, and the habit will stay with you forever.** The psychological pleasure of knowing you are accumulating savings year in and year out, month by month, is immense and lasting. When I was a child, we had savings stamp books in my elementary school. We each brought in 50 cents a week and bought stamps, and at the end of a year, we had a \$25 savings bond. I am not sure where those bonds are now, but I do know that the habit of saving stayed with us, and I don't know any of my old classmates who are in financial distress.
8. **Closely connected with that, it's great to have something called financial capital.** Financial capital is money that we can put to work so that we don't have to rely only on selling our labor like a field hand all of our lives. Capital is what gives us a cushion if we are sick or unhappy or just want a change for a while. Human capital- our ability, work habits, ethics, and skills- are for most of us the key to how we'll do in life. But having money to fall back on and to supplement your sweat is a major blessing and relief in life. "Liquid assets equal freedom," my Dad once said to me. That's great advice for anyone at any stage.

9. **When you do start to acquire savings and capital, ask your father what to do with it.** And if he's not around, here's what I would tell you: Don't try to be a genius about the stock market. Don't try to get rich quick. Buy mutual funds that duplicates the performance of the whole stock market and keep some cash in an insured account at a bank. Add to both regularly and, with what Mom and Dad have left you, if all's well, you'll be fine.
 10. **Buy what you really want when you're young IF you can afford it.** The enjoyment you get from owning a really good stereo and nice clothes when you are young far exceeds the enjoyment you'll get when you're as old as I am. Travel is far easier and more pleasant when you're young enough to accept its rigors. Food even tastes better when you're young. If you can afford something you want, don't let someone else's ideas of what you can and cannot buy stand in your way.
 11. **Above all, be prudent.** Years ago, I was about to buy a farm in the Hunt Country of Northern Virginia, near the historic town of Middleburg, a dream spot for me. It was beautiful, even startlingly so. Rolling and pristine and perfect. It cost a small fortune, and I honestly had to admit I would not spend more than a month there each year, and probably less. My mother was upset about it and turned to my father to talk to me about it. "Be prudent," he said. I understood at once and did not buy the farm.
 12. **"Keep high aspirations, moderate expectations, and modest needs."** This was my Dad's last maxim on personal finance and on life in general. Yes, you can have the great car. Yes you can have the trips to Europe and Tahiti. But only if they are modest in connection with your income and savings. Be prudent, my boy, and money will be your friend. You can work for it or it can work for you. Be prudent.
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