

# Teaching Your Kids Financial Independence

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For Homeschool Enrichment magazine

Successful money management can bring great blessings, while poor management can bring utter disappointment. Perhaps you can relate to both the blessings and disappointments. You may feel that you're no financial role model to your children. You know you could do a better job managing your money. You may feel that teaching kids about the money skills you lack will make you look like a hypocrite. Take heart! We all learn from our mistakes and shortcomings—and our kids can, too!

We can learn a lot from people who learned “the hard way.” Tuition in the School of Hard Knocks is pretty high, so most of us want to avoid paying it. How do we avoid it? The best way is by learning from Other People's Mistakes (OPM). Tell your kids that you have made mistakes and that you hope they learn from you. Be honest about how these mistakes have affected your life. Say something like, “Kids, having too much credit card debt when you were born meant we couldn't afford the home we wanted,” or, “Not living with a budget caused a lot of stress in our marriage. I don't want that for you.” Testimonies of people who have made mistakes are very effective. Your kids will benefit from your honest testimony about managing money.

I assume, of course, that you have changed your habits and are following God's principles in managing money. One of the best motivators to better manage our money is the fact that we have kids and they are watching us. Think about how many things we adjust in life because we have kids. Some people begin attending church when they have children. Women may choose to eat healthier while pregnant. Grownups watch their language when children are around. We change our ways when children are in our lives, because we know they are watching. Let your kids be a motivation for you to get in financial shape. They do learn by your example. Let your example be one you're not afraid to let them see.

## **Boomerang Kids**

One way that kids can motivate us to become better money managers is the fear that they might become “boomer-rang kids.” Boomer-rang kids are grown children who return to their parents for financial assistance. Imagine what life will be like when your children leave home—more free time, more quiet, less mess, more money for your interests, etc. Now imagine yourself sitting in your nice, clean, quiet home one day, planning your vacation with your spouse, and the doorbell rings. It's your grown child. He's returned home, but he's not alone. He has his spouse and your grandkids with him. They're not here for an afternoon visit—they've come to live with you! They will eat your food, read your paper, and mess up the quiet, clean place you had. Do you want that? Probably not! Boomer-rang kids don't always move back in, but they just might if they haven't

learned how to manage money. That's why the fear of boomer-rang kids is such a great motivator for you to teach them now. (Please note that I'm not saying we shouldn't help our adult children if they experience financial difficulties that are truly beyond their control. What we shouldn't do, however, is bail them out of their own mistakes.)

A retired man who wanted some scriptural advice on debt recently called me. It seemed his 30-year-old son had accumulated nearly \$30,000 in credit card debt. After the son's fiancée learned of his debt, she postponed their wedding. My caller wanted to help his son. He wanted to "loan" his son the \$30,000 and pay the debt so the son could get married. I strongly urged the man to let his son deal with the debt and not bail him out. This man was a caring father. He wanted to help. But he had a boomer-rang child, and he was still treating him like a child. We often have the mistaken idea that we are raising children. We are not raising children—we are raising adults. The end product of our efforts should not be boomer-rang kids, but adults who can live financially independent lives. That's our goal—to raise mature, responsible adults.

### **How Do I Teach Them?**

I know that, by now, you're asking yourself the "how?" question. "How do I teach them?" Our lives are busy, and teaching our kids Biblical financial principles is just one more activity to squeeze in between schoolwork and soccer practice. In response to this, the Bible itself gives us a great idea. It's found in the Old Testament in the Book of Deuteronomy.

*"And these words, which I command thee this day, shall be in thine heart: And thou shalt teach them diligently unto thy children, and shalt talk of them when thou sittest in thine house, and when thou walkest by the way, and when thou liest down, and when thou risest up." (Deut. 6:6-7)*

This is lifestyle teaching. If we could paraphrase this in today's language, it might say, "Impress them on your children. Talk about them when you sit at home and when you drive the van along the road, when you hang out having fun and when you go shopping." This type of teaching is very natural and easy. All it requires is that you look for opportunities, or "teachable moments."

Let me share an example. When my daughter was about 4 years old, we were shopping at a department store. I was admiring all the pretty sweaters and I realized I had an opportunity. I asked Emily, "Why don't I just buy all these pretty sweaters?" She thought about that for a minute and answered, "Cuz you don't have the money?" I said, "Actually, I do have the money, if I empty my checking account and spend all of my savings account. Why don't I do that?" She thought more about that and came up with "Cuz you wouldn't have any money left for Daddy and me." I realized I had an opportune moment, so I talked about how we control our spending so we'll have the money for other important things. I even launched into talking about her college savings account. That is lifestyle

teaching. It's easy and goes anywhere! Stores are great places to discuss money. Use them to your advantage. For more help, try Crown Ministry's "Family Times Virtue Pack." It comes with a CD of stories and songs for drive time, bedtime stories, and conversation cards for dinnertime discussions.

### **Personal Finance Curriculum**

There are other methods of teaching fiscal responsibility beyond the lifestyle method. Sometimes our kids need concrete, focused teaching time on financial matters. There are several options and lots of resources. If you need a little help, ask! Perhaps your child's Sunday School teacher would be willing to do a unit on God's values about money. Ask their scout leader to do a badge on money management. If you're part of a homeschool co-op, see if any of the parents would be willing to teach a class on finances. If you organize the class, someone else may be willing to teach it. In addition, many churches now sponsor financial workshops from Dave Ramsey, Crown Financial Ministries, or Good \$ense Ministry.

Try instituting a Family Night for a few months. My friend Russ decided to keep his kids out of one evening activity and have a Family Night instead. He tells me it was a wonderful, fun time. He used a terrific book entitled Money Matters: Family Night Tool Chest by Jim Weidmann for great ideas on how to teach God's principles of money management. For example, Russ cashed his paycheck in small bills. Then he made piles for each budget category so the children could see where all their money went. You could also take the summer and use another excellent book, Money Matters for Teens Workbook by Larry Burkett. This book comes in two age levels, one for pre-teens ages 11-14, and one for teens ages 15-18. I used this with my daughter when she was 11 and found it very practical as well as Bible-based.

I also use homeschooling to my advantage. I assigned the Money Matters book as part of my daughter's math curriculum. That way she had to learn it. If it's scheduled, it will get done! I taught Dave Ramsey's Financial Peace for the Next Generation at my homeschool co-op and enrolled my daughter. The National Endowment for Financial Education has a wonderful high school program that can easily be taught in the home. I have used it in a homeschool co-op class also.

I hope you now have some ideas on how to teach your children about money. The lifestyle method is most appropriate for young children, but effective at every age. By the time your children approach junior high, you should be moving toward more concrete instruction, either with assistance from others or by carving out time yourself. You'll never be sorry you spent time instructing your child in this very important area.

### **What Do I Teach Them?**

Now, of course, you need to know what to teach! I'm going to give guidelines based on the age of your child. For most babies, the first word is "Dada." Frequently their second word is "no," followed closely by "mine." During the preschool years, your main goal is to deal with the word "mine." You know how 2 and 3-year-olds can be. They think, "If I touch it, it's mine. If I see it, it's mine. If I want it, it's mine." You need to deal with that attitude young, or they will become boomer-rang kids and think that your retirement income is theirs! The lifestyle method is very effective with young children. My friend Larry illustrates this principle well. Larry took his four-year-old daughter Heather to McDonalds. While eating lunch, he would reach across the table and take a French fry. Naturally, Heather screamed, "Mine!" Larry would ask her, "Who gave you those fries?" Then he would talk about how everything we have is from God and how we don't own anything, but are only managers of what God entrusts to us. McDonalds is an excellent place to start lessons on stewardship.

### **Elementary Age**

By elementary age, children need to understand the divisions of money. Teach them that they can do three things with money: spend it, save it, and give it away. Crown Ministries sells a bank with three compartments to teach this to children. The bank has a store, a church, and a bank. Children should be encouraged to divide their money into these areas. I encourage divisions of 50% spending, 40% saving, and 10% giving for elementary age children. You can make a bank on your own using boxes or envelopes. The main point to teach is that not all money is for spending. Some must be saved and some given back to God's work.

Elementary age is also a good time to give your child large doses of vitamins. By that, I don't mean nutrients for their physical growth. Rather, their character needs two particular vitamins. Vitamin N is hearing "no" a lot, and Vitamin DG is the all-important Delayed Gratification. It is very important that children get doses of Vitamin N when they are in the grocery store and ask for things that are not good for them. They also need lots of Vitamin DG when they want the latest gadget or toy now, without a birthday or Christmas in sight. A friend of mine had a daughter who wanted a very expensive doll, costing about \$100. The parents didn't think they should spend that much money on a doll and told her so. Instead, they did give her a big dose of Vitamin DG. She saved up her allowance and birthday money for about a year, and then she bought the doll herself. The lesson was extremely valuable for that girl. She treasures the doll because it took so long to get it. Please don't be afraid to dish out Vitamins N and DG. It will build stronger adults! Remember, that's the goal!

By the time a child reaches 11 or 12, they should be getting an allowance. Allowances do not have to be in cash. Let your children practice managing part of the family's money with special accounts. For example, when my daughter was 12, she was given a certain amount as an annual clothing allowance. I actually purchased the clothes, but she tracked her spending and had to keep it under the prescribed amount. Another area to set up an allowance amount could

be entertainment. Your children could manage how they spend their entertainment or leisure money. If they spend too much on one thing, they won't be able to afford something else. Let them fail. It's better to learn now than when it's real life.

### **Junior and Senior High**

A junior high student should have a real savings account at a bank and learn the power of compound interest. Einstein said compound interest is "the most powerful force in the universe." Your kids need to know how to get interest working for them (as in savings interest) and not against them (as in credit card debt). The Money Matters books are excellent for teaching this.

By the time high school comes, your children must know how a checking account works and how to balance one. Let them practice on your account. I read about a mother who let her teenage daughter manage all the family's finances for a summer. Mom just had to sign the checks. The daughter received excellent training.

Teenagers must also know the perils of credit cards. Dave Ramsey addresses consumer debt in a very engaging way. Make sure your teenager attends a biblical financial workshop before leaving home. As mentioned earlier, many churches host workshops or Bible studies on finances. Please, don't send your children off unprepared.

Use your life experience, good or bad, to teach your children about money management. They are watching all the time. They want you to succeed, so make the changes now so that you can be a hero in their eyes. Practice what you preach, and preach what you practice through your lifestyle and specific teachable moments. Your children, when they are adults, will thank you. You will be blessed also. Remember, the goal is to raise adults who honor God with their finances.

### **Recommended Resources**

*Money Matters: Family Night Tool Chest* by Jim Weidmann.

*Money Matters for Teens (Age 11-14) Workbook* by Larry Burkett

*Money Matters for Teens (Age 15-18) Workbook* by Larry Burkett

Crown Financial Ministries ([www.Crown.org](http://www.Crown.org)) has excellent advice on biblical stewardship, budgeting, saving, resources for toddlers, kids and teenagers.

Dave Ramsey, author of *Total Money Makeover*, *Financial Peace* and others, hosts a daily call in radio show and tours the nation doing workshops. Financial Peace for the Next Generation is a 12-part video of Dave Ramsey teaching budgeting, investing, debt reduction and more to high school students. [www.DaveRamsey.com](http://www.DaveRamsey.com)

Good \$ense is a teaching ministry offered through local churches. They offer a Budget Course and Budget Counselor training. For information visit [www.GoodSenseMinistry.org](http://www.GoodSenseMinistry.org)

National Endowment for Financial Education (NEFE) has a fantastic high school financial planing program. The six lessons cover goal setting, budgeting, savings and investing, insurance, debt, banking and career preparation. I've used NEFE materials in teaching personal finance class to high school students and find them extremely well done and free of charge! <http://hsfpp.nefe.org/home/>

### **Author**

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