



Introduction

It's Not Just About Money

I've worked with kids and parents in the realm of financial education for a dozen years, and in that time I've heard every kind of story.

- There was the mother who asked me, "What can I do? My 16-year-old is way over her limit on her Neiman Marcus card." (Can you say *scissors*?)
- A 14-year-old pulled me aside to say, "My parents won't stay out of my piggy bank. How can I get them to stop stealing from me?"
- A grandmother tells me her son is visiting the same bad financial habits upon his kids that she passed on to him. She wants to help her son teach her grandkids the right lessons, but doesn't want to hurt his feelings.
- A father confesses that where his teenage daughter is concerned, "It's easier to feed the tiger [fill her ATM account] than to take the time to instill sound financial habits in her. I'm concerned that I'll be sending her off to college unprepared for life."
- A very distinguished mother quietly whispers, "My husband and I cannot agree on how to raise our kids financially. We fight over this constantly."
- A father informs me his kids are "set for life" and has no idea how to instill financial discipline in kids who can and do have everything.

And then there was the following letter, sent by a young woman seeking admission to one of my company's business camps for teen women:

Knowing how to make money and keep it is not something people are born knowing. It is a skill that you must acquire whether or not it is from your parents, family, or friends. Money has always been an issue in my family. Neither of my parents own any credit cards and they are constantly complaining that they

cannot get rid of their bad credit and must struggle to pay their taxes. My father has a new job every six months and my family has never been stable in regards to money. I've grown up always worrying about money. Somehow, it feels like others who may in actuality have less than me have more.

For the past eight years, my parents have been planning on buying a house. They never can because one of my parents is either out of work or we can't get a loan. I don't want to make the same mistakes my parents have made. I am now at a place where my parents cannot help me. When I ask them about the Dow Jones or the NASDAQ, they cannot explain it. When I ask my parents what a broker does, they don't have a real answer and they are embarrassed. I think I can bring my family and myself to a new level, but I need help. I want to learn how to make money and keep it. I think it is essential that I learn how to make smart investments and make my money grow.

This story and hundreds more are part of the driving force behind my work.

In 1992 I started a small project (originally called “An Income of Her Own”) that grew up and became Independent Means, Inc., a company that offers financial education for parents and kids. Originally I created the company to give girls an economic head start. As I worked with the girls and their parents, I acquired knowledge that I began to see had relevance to all parents as they struggle to pass on solid financial values and habits to their children. With that knowledge has come a deep appreciation for the complexities of raising children who can function independently and who possess a sense of self and a strong moral compass. *Raising Financially Fit Kids* is my attempt to share what I've learned while observing, working with, and listening to kids who have been part of the Independent Means experience.

The children who have been my teachers are a diverse lot: kids from Manhattan and Minneapolis, San Francisco and Seattle; girls from the Cherokee Nation and Pueblo communities in New Mexico; Mexican, Australian, Brazilian, British, and French teenagers; and home-schooled, private school, and public school kids from around the world, both privileged and poor. They have taught me that kids are savvy and intuitive about the connections between money and independence, money and power, money and respect. They learn quickly that money is the deepest taboo, that it can tie

their parents up in knots, and that—regardless of whether family resources are unlimited or in short supply—it is a powerful factor in family dynamics and relationships.

Not Just about Money

Raising Financially Fit Kids is not just about money. Rather, it is a book aimed at helping you launch great kids: independent, balanced, able to exercise good judgment, practice responsible habits, and live independent lives as contributing members of both family and community. That, I have learned, is what kids want for themselves. And if you, as a parent, didn't share those larger goals, financial habits wouldn't matter. You could just as well drop your kids like kitties in a litter and let them fend for themselves. But the fact is that you want them to live well and happily, gathering the skills that will enable them to make it on their own as well-rounded people. This book will help you achieve that goal.

This book is not about income level. As you will see, whether you have vast resources enabling you to establish trust funds for your kids, or you have a fixed income and struggle to make ends meet, the issues you confront with your children are often the same. This came home to me one day when I had a morning meeting with a Salvation Army captain to discuss how to make financial education available to homeless kids who participate in Salvation Army summer camps. Later that afternoon I met with the director of an organization that manages the philanthropic contributions of extremely affluent families. This organization was interested in programs to help parents raise sound kids in the midst of great wealth.

Teaching children to make ends meet and shepherd wealth are the concerns of *all* parents—and parental frustration over children who haven't mastered the habits of conservative spending and liberal saving cuts across race, class, culture, and political orientation.

This book is not about raising young tycoons, Nobel laureates in economics, or fledgling investment bankers. Nor is it about pushing kids toward a premature consciousness of material wealth. Rather, it is a means of helping parents walk the line between overprotecting kids from the real aspects of finance as a life skill and forcing them into an anxious preoccupation with money as a source of power and well-being.

And finally, this is not a book about parents as dummies. Or where you went wrong. Or what's wrong with your kids. Honestly, would you have picked up this book if you were a marginal parent or you really thought your kid was hopeless? Just as you needed lessons to play golf or tennis, or assistance from a tutor to help you become computer literate, you may need some help raising financially fit kids.

Financial Literacy Is Economic Self-Defense

Boom and bust markets, war and peace, health and illness, and marriage and divorce are just a few of the highs and lows that affect every life. Wise parents know that financially self-sufficient kids are less vulnerable to the vicissitudes of life. Every parent's deepest desire is that his children will never need to worry about where the next meal will come from or take jobs they hate "just for the money." And that instinct—protecting kids from the harsh realities of the economics of life—sometimes gets in the way of giving them the financial education they need. But financial literacy is economic self-defense.

This book will introduce you to the Ten Basic Money Skills, a list of tasks that collectively provide a primer of financial knowledge for your children. They offer a kind of armor to prepare your kids for life's challenges without scaring them to death. The activities in this book that teach your children the Ten Basic Money Skills increase in level of sophistication as the children mature. This incremental method of developing financial competency will help defuse the tensions and complexity of dealing with your kids around the issue of money.

The Ten Basic Money Skills

1. How to save
2. How to keep track of money
3. How to get paid what you are worth
4. How to spend wisely
5. How to talk about money
6. How to live a budget
7. How to invest
8. How to exercise the entrepreneurial spirit
9. How to handle credit
10. How to use money to change the world



Money and the Developmental Stages

Money struggles with kids are not an indication of failed parenting skills or financial ineptitude. Conflict that seems money-related often arises because, while Dr. Spock and his followers told us all about the developmental stages of childhood as they relate to motor skills, communications, and relationship capacity, these intellectual pioneers neglected to consider economic development as one of the basic developmental tasks of the child. That was a mistake, for personal economic growth is a lifelong process that has distinct stages not unrelated to the other developmental tasks of childhood. The following chart illustrates the stages that we all pass through in the course of our lives.