

Helping Children Understand the Meaning of Money and Wealth

Overview: Wealth counselor and psychotherapist Marilyn Wechter shares insights into how parents can better communicate with their children about the topics of money and wealth. Marilyn also offers practical tips on establishing effective allowances and budgets.

Talking About Money With Children Under 18

Q: At what age should children begin to be educated about money?

A: You talk about it as soon as they can start understanding those concepts. When children are in elementary school, you can introduce the concepts of planning and saving, long-term gratification and short-term gratification, and “giving back.” You gear the conversation to where a child is developmentally and what he or she can cognitively understand at that point.

Q: How can we help the next generation learn to manage what they have and adapt when they encounter challenges (financial and otherwise)?

A: In an effort to give children everything and at the same time protect them from hardship, we are robbing them of having the experiences that ultimately create a sense of well-being for us as adults.

For example, let’s use the analogy of the increasing rates of children with allergies. There is much speculation that we are now seeing higher levels of allergies because children have less exposure to dirt, dust, pollen and the outdoors. Children raised in this type of “hermetically-sealed” environment do not develop resistance to allergens. We can make the same statement with regard to children and self-sufficiency. In our culture, we are seeing college students fall apart emotionally because they have not yet developed any of their own internal resources. Their resilience is still based on external factors — what mom and dad do for them.

Instead, by allowing a child to feel the impact and consequences of his or her behavior, or by letting a child feel disappointment, we empower children to think independently and develop their emotional muscle.

Q: What negative messages do children learn about money from society?

A: Two big messages are: 1) it is shameful to talk about money and 2) if you have money, you’re better than somebody who doesn’t have money.

As a society, we send out these messages of “Shhh, we don’t talk about money.” This silence can suggest to a child that there must be something bad about it. Otherwise, why would we be secretive?

Society also sends the message that money equals power: If I have money, I can expect you to treat me as if I am special. Society gives very mixed messages about money: That it is really important to have money, and it makes you special but that it also sets you apart. Do people like you or really want to be with you only because you have money, or do they like you for who you are? If your sense of self is tied up in net worth, you are dependent on things outside of yourself instead of feeling good because of who you are and what you have accomplished.

If children grow up feeling that their power is because of money, what happens if they no longer have that money? Do they have any power? Do they have any presence? Do they have any real sense of self-worth? Too often, people confuse their self-worth with their net worth.

It is important for children to understand that wealth is a result of our hard work, or because of the hard work of our ancestors, and we have been the beneficiaries of that work. So, we don’t squander what we have because we respect the amount of work that goes into gaining it. As a parent, you want to convey the respect you have for what you do and for your hard work. And you want your children to value what they have and treat their things responsibly. As parents, we want our children to understand that we have what we have because we work hard for it. And that knowledge comes by talking.

Q: How can you teach children the value of items that the family may view as precious and important (for example, family heirlooms) that children may consider just another household item that can be easily replaced?

A: I would start with stories. Very early on, you can talk with a child about how important it is for the family to have these cherished items from grandparents or other family members. So, the theme I would keep coming back to is one in which you begin to invoke value and what it means for the family to have these special items. For children to understand that something is special, not just because it might be worth a lot of money, but because of the item’s family history. Children benefit from learning that everything does not have equal value. If everything were deemed equally important, then children have no way of assessing what really matters and why. We need to teach children that not everything is disposable.

When you have something tangible, for example, grandma’s ring or grandfather’s sword, you can have the conversation about its significance and how it is not replaceable. You can also introduce the idea that, one day, the item will become theirs, but not right now. Starting these conversations early on also helps children deal with the current culture that sends the message that things are replaceable.

Q: How do you begin to tell a child that he or she will be an heir?

A: You talk about it at different levels depending on the age of the child. For young children, you could start by introducing the idea of how fortunate your family is, that not everyone is so fortunate, and that they will be in a position to have a wider range of choices about what they would like to do when they grow up.

When children are old enough to begin making career choices, you might discuss how they will not have to choose a career based on its earning potential. Instead, they will have enough money to choose a career based on its heart potential. They can pursue something they feel passionate about without worrying whether it will also be highly paid.

Allowances and Budgets for Children Under 18

Q: What are some ways to teach children good money management skills?

A: I'm a big believer in allowances and clothing budgets. Allowances give children the opportunity to prioritize and make decisions about how to spend what's available to them. Parents with young children (because I do think this should start at an early age) can introduce the concept of allocating money. For example, X percentage of allowance goes to savings, X percentage of allowance goes to philanthropy and X percentage of allowance goes to spending.

When it's their money and they budget it, they can choose to spend what and how they want. They start to get some experience with being responsible for their financial decisions. This becomes the same issue with a clothing budget. I think the glory of clothing budgets is this: When you give children a clothing allowance, you move away from a scenario of conflict in which you have to say "No, you can't have that," or "That's too expensive" or "You have too many of those already."

Instead, you give a certain amount of money, and they have to learn how to allocate that money. If they want to blow their whole allowance on one pair of jeans, that's their choice. But they can't come back and say, "But I don't have enough money for new shoes." This way, they have to learn about the relative value of things as it relates to their spending habits.

Q: How does this process work?

Amounts of allowances or clothing budgets vary from one family to the next. It can be useful for a parent to sit down and look at what's been spent. Then come up with an initial amount that seems reasonable. Not as fixed in stone, but as a trial period for 3–6 months and see how it works.

Allowances should be a base. If children want to earn extra money, they could do chores around the house or mow the lawn every week. That way, if they want more than what seems reasonable to you as an allowance, they have other options to earn money. It also teaches them about motivation, incentive and agency.

Q: Should an allowance be based on work/chores?

A: No, the allowance I'm suggesting is based on the idea that they are part of a family. It is associated with being a productive and functioning member of a family, and how a parent defines that is important. Parents encounter problems when chores are connected to allowances. What portion of an allowance should parents withhold if their children do not complete all their chores? How do parents respond if a child empties the dishwasher only five days one week and seven days the next week? I think parents can get into trouble with that system — and it is a lot of extra work for them!

Q: What happens when children become teenagers and their parents have never talked to them about money?

A: It may be more difficult because a parent may have to focus on undoing learned behaviors. But even with 30-year-old children, it's not too late to start. It's never too late to start to ask people to be accountable. And it's never too early.

About Marilyn Wechter, MSW, BCD

Marilyn Wechter, MSW, BCD is a psychotherapist and wealth counselor. She has been in private practice in St. Louis for more than 30 years working with adolescents, adults, families and couples. In addition, she works with estate lawyers, investment advisors and executive coaches. She has taught courses on normal and abnormal development at Washington University in St. Louis, and courses on images of women in film from a cultural and psychological perspective at Webster University in St. Louis. The opinions and comments expressed in this article are her own and may not accurately reflect those of The Buckingham Family of Financial Services.

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