



## **Eight Common Mistakes Parents Make With Kids and Money**

It's hard to teach the concepts of money if you were not taught anything about money yourself, but kids need to know the basic skills about money now more than ever before. Kids are moving back home in record numbers being dubbed the “Boomerang Generation.” The cause of this is record high educational costs, lack of financial education, and credit card debt. Children today have the highest debt in US history, and are being dubbed the “Debt Generation.” Information on what not to do is as valuable as information on what to do. If you change, any or all of these mistakes below you will change the financial direction of your child's future.

### **1. Not Talking to Your Kids About Money**

Money beliefs and habits start extremely young. The sooner you instill good money habits in your children the better and the less it will cost you in the long run. We all know how tough it is to break a bad habit. Instill *good* money habits in your children even before they fully understand them, and they will adopt and live by these habits for the rest of their lives. Foundations and principles you set early in your children's lives will endure the test of time and outside influence.

- **Money is all around us; Money determines where we live, what we eat, what we wear, what we drive and what we have. Money controls how we feel and sad to say how others look at us.**
- **Money does not buy us happiness or love. The only thing money can give you is freedom, security and choices. You have the freedom to live, eat and work where you want. You have the financial security to take care of emergencies should they arise. And you have the choice to make you own decisions.**

- Talk freely about money to your kids, allow your kids to dream of all the things they want out of life. Then teach them to go out and get it. If you are going to dream of the life you want, then dream as big as you can, because even if you only get half way there you will still have more than you have right now.
- Many times we dream of all the things we want, and then life gets in the way and we decide to settle for what we have and shrink our dreams.
- Dreams are free so dream big!
- Talking about money to your kids will help them understand what money is and how to use it to their benefit, when your children start to understand money they will start to have control over money verses money controlling them.
- Research shows we talk more about sex and drugs than we do money in our homes. Have conversations about money often, so your children will be comfortable with asking questions about money.
- Involve your child in the process of saving money, investing money, giving money and spending money.
- Many adults save money for their children, but never involve their children in the process. Adults fear that when their children find out about the money all they will want to do is spend it. If you teach your child how to save their money from an early age it will become a natural habit that your child will do throughout the rest of their life.
- The sooner your child can experience and handle money, the sooner your child will experience the benefits, good, and bad with money. Allow your child to make mistakes with their hard-earned money, because the more they make when they are young the less they will make when they get older.
- Your children will always do what they know and understand to be true. If your child always takes a dollar and spends a dollar then they will always live paycheck to paycheck. If your child always saves a portion of their money, they will create a secure financial future and understand the habit of paying themselves first.
- By changing this habit, you open up a world of possibility for your child. Your child will be comfortable with money, they will know how to use money verses money using them.

## 2. Talking Negatively When it Comes to Money

Have you ever said to your child/or been told, *that's too expensive, what do you think money grows on trees, we can't afford that. I'm not made of money.* Even though this may be true, this will set a negative tone around money for your kids. They will start to think they are not deserving of wealth, things in their life are too expensive and create fear of never having enough. Instead, say to your child, it's not in the budget this week, but if you would like to find a way to earn the money for it, I will help you. Or, sure, you can have that but you must use your own money for it. This will show your child even though they cannot have it right now from you, they can figure out a way to attain it themselves. This opens up their mind of what is possible.

- Our beliefs and habits start forming from birth, think about what you were told by your parents and how that made an impression on you and your habits with money today.
- When you talk negatively about money, it creates fear of money. The saying, “What you Think About you Bring About” If you fear not having money, you won't have money! If you say I am poor than you will be poor.
- Say to yourself, I'm a millionaire; I just have not deposited the money yet!
- Never say things are too expensive, realize you are not making enough money yet. It's been proven how powerful the mind is, be careful what you put in your mind.
- There was a study done where people were talking to plants and the plants responded to their voices. If we can influence plant life, just think of the influence we have on our children.
- It is normal for children to ask for things, it is human nature to want, kids are natural born askers and you want them to keep that wonderful talent for when they grow up. If you constantly tell them they can't have what they want, they will start to just settle for what they have. And when the day comes for your child to ask for a date, ask for a raise, or ask for someone's hand in marriage, they may not be able to do so.
- Encourage them to ask for everything, when they ask and you are not able to provide it, just say to your child “You are an incredible asker, and don't give up, but I can't get that for you today. However, why don't you think of

someway you can earn the money to get what you want.

- You are not saying no, you are not saying yes, you are opening up their minds to attain things on their own, which will benefit your children for the rest of their lives.
- I do not believe in buying children everything they want by any means whether you have the money or not. I believe in encouraging your children to work, or earn the money for the things they want in life.
- Many times when money is tight, as parents we feel guilty for not being able to provide the things our children want. But the key is no matter what your situation is, does not doom your kids to be in the same situation.
- There are many stories of adults who came from very poor backgrounds and changed their financial situation greatly when they got older. The key as a parent is to give children the support and love they need to succeed in life, give them possibilities not limitations.

### **3. Giving Kid's Money for Nothing**

I believe that giving child money or an allowance for nothing is harmful. "Free" allowance creates an attitude of entitlement (you owe me) that will last all of your child's life and will haunt you during yours. I'm sure you've heard, "Mom where's my allowance?" Or as soon as your children decide they need money, they say, "Mom, you owe me an allowance!" Money is earned and the sooner our children understand this concept the better. Most children don't understand the concept of earning their money. It's a well-known fact that when someone gets something for nothing, they don't appreciate it as much as when they earned it. *If you give your child an allowance for nothing, they will learn to take money for granted and put little value on it.*

- The old saying nothing in life is free, well the sooner your children understand this lesson the better.
- I tell my children there is a difference between needs and wants; they only need a roof over their head, clothes on their back, food in their stomach and an education. Everything else is a luxury and a want.
- Nobody in life will give your children free money, and you shouldn't either.

- People who have created success in their life have worked extremely hard and few have had it handed to them.
- Many children therapist explain to use a barter system, you do for me and I will do for you, many therapists encourage and allowance system.
- It is human nature to do whatever is necessary when a reward is waiting at the end. If you were to walk into any classroom, you would see a teacher giving incentives to their students with candy, stickers, tickets and anything else possible for good behavior, bringing in homework on time,
- or sitting quietly at their desks. Salespeople are rewarded with bonuses when meeting quotas, CEO's are rewarded large sums of money for innovative thinking, and employees are rewarded for finishing projects on time.
- Allowing your child to earn money will not only teach your child how money works in the world, it will teach your child how one earns a living, cause and effect, and most importantly the value of money.
- Allowance can be used as a habit creator or Habit breaker. If your child is not doing what you ask of them, try rewarding them by doing so. If your child will not brush his teeth, then pay him a certain amount of money to do so, when he has gotten in the habit of doing it daily then move on to something different. He will continue to brush his teeth because now it has become a natural habit.
- Allowance will teach your child how one earns money through providing a service, finishing a task or a job.
- Many people are hung up on paying their children to do something they should be doing anyway. While I understand this, I am not advising you pay your child for every little thing, there should be certain chores children do as part of the family, and then a certain amount that is done for earning an income.
- Look into our ["Smarter Way to Pay an Allowance"](#) to find out more information on allowance, visit [www.prosperity4kids.com](http://www.prosperity4kids.com)
- Your children are too young to work or get a real job; you are most likely their only source of income. Allowing children to earn their own money and then use their own money is the only way for a child to value money. You will see this in action the first time your child uses their hard-earned cash on something you normally would buy for them. Nine times out of ten children will not waste their own money on the same items they would

have their parents buy.

- You will love the reaction from your child when they ask you for an item at the store and you turn to them and say, of course, you can have that, but you must use your own money for it. Most likely their reaction will be "But, I don't want to waste my money!" and you just say, well I don't want to waste my money either.

#### **4. Starting the Paycheck to Paycheck Syndrome**

If a five-year old child takes a dollar and spends a dollar, the child will do the same at ten, at fifteen, and then at twenty. The habit of spending it all will stay with your children into adulthood, and they will grow up to live paycheck to paycheck. If you make a million and spend a million, you are still poor. Being wealthy has nothing to do with how much you make. It has to do with how much you keep! These habits will set your child up for financial ruin. Explain to your child when you purchase something at the store and spend all you have, the store now has all your money. You have nothing but the item you bought, which may or may not last.

- Our country is notorious for spending more than they have, and the citizens of this great country are following down the same path, but the problem is we are not allowed to print more money like the government, because it's called counterfeiting.
- Just ask your child this simple question, "Would you like to be Wealthy or Poor when you grow up? If your child answers wealthy then, you must teach your child the 10/10/10/70 concept. Children can easily learn this formula and follow it throughout their lives.
- Give 10% to the charity or cause of choice. When children become givers, they become more aware of others and less selfish. Giving starts the receiving process and is a sound financial habit.
- Invest 10% in stocks, bonds, mutual funds, businesses, real estate, money markets, CD's, [INGDIRECT](#) Accounts and build your financial security through allowing your money to work for you.
- Save 10% for you future and emergencies. The savings portion represents the liquid cash necessary for emergencies in case of a job loss, medical expense car repairs ect. Your child does not have to worry about this yet,

but they will be prepared for when they go out on their own and have plenty of money saved for emergencies.

- Spend 70% wisely on what you need and want. Always ask yourself the question, do I need this, will I use it, do I love it, and do I have to have it. If you can answer yes to all these questions then by all means buy it. If you can't then the item is not worth your money! This is how you become a wise consumer.
- Creating the habit of dividing your money before you spend is essential to your financial future. Starting your children on the 10/10/10/70 concept will guarantee your child financial security. Because your child will practice giving back, paying themselves first and living within their means. This will become a habit and be the default action your child knows and lives by.

## **5. Not Starting a Savings Account Early**

The average family in the U.S. today spends 110% of its income, and most people of retirement age have little or no money of their own to live on after retirement. Many people practice the habit of putting money into the bank until they need it to pay bills or want to spend it on something they'd like. While philosophically, it might seem that they're saving money because it is set aside, what they are really doing is postponing their cycle of spending. This is also the liquid cash that many financial advisors speak of in case of a job loss, medical emergency, or car problems. Many children and adults feel that when they save money, they will have less. However, this is a crazy idea because when you save money, you actually have more! "Save your money" really means: "Pay yourself first!" Saving money sets your child up for a successful future. When you instruct your child to save his or her money, explain that they are paying themselves first.

- Most children think saving money means to save for a bike or toy, but all that is, is prolonging your spending. Children need to get in the habit of saving for the future and paying themselves first.
- It has never been more important than it is today to teach your child the habits of saving and investing, because social security, company retirement plans and the government is putting more and more responsibility on the individual.

- No one will take care of your retirement but you, and the sooner you think about retirement the faster you will get there.
- You can save money by asking for a discount, wait for the item to go on sale or use coupons.
- Due to the internet, you can now find the best price for just about anything, and it doesn't mean you have to buy it used.
- It feels good when you can buy what you want and save money at the same time.
- Savings is the act of saving something- you can save money in the bank, save money by getting a better price, or save your self from financial ruin.
- Wealthy people rarely pay full price for anything.
- There is nothing wrong with being cheap, asking for a discount or saving your money. You can laugh your way all the way to the bank and retirement, when you're wealthy and your friends are poor!

## **6. Creating Lifestyles Kids Cannot Afford**

Children have missed learning how to want for things, earn things and overcome obstacles to get what they want. Many parents are providing lifestyles to their children that they simply cannot afford. At most of the high schools kids are driving nicer cars than the teachers are, wired to the hilt and dressed impeccably. Most of these kids do not have jobs. Their parents are footing the bill for the lifestyle the kids are enjoying and becoming accustomed to – for free.

- Parents who perpetuate this lifestyle for their children are going to pay a huge price down the road when the kids leave home.
- The boomerang effect – grown children moving back in with their parents – has a lot to do with the inflated expectations children have about their lives when they leave home. They can't afford the lifestyle their parents gave them at home, and they have no skills to create it for themselves. What do they do? They turn to credit cards to fund the only lifestyle they know. Parents are spending way too much money on their kids and unwittingly setting their children up for failure.

- It's not what you leave to your children that matters most, it's what you leave inside your children that counts most.
- Experts have said, giving your child everything and not allowing them to earn things on their own is damaging to their self-esteem and ability to survive in the real world.
- This happens in all income levels wealthy, middle class and poor. Kids wearing \$100 shoes in low-income areas, girls' walking around with Gucci purses in middle school is crazy. What do they have to look forward too? Ferraris' at graduation?
- Children are being taught to put more emphasis on looking wealthy verses creating wealth
- More children than ever before are being diagnosed with ADD and ADHD, this could be because we live in an "instant gratification culture." Americans are impulsive, if they want something they charge it. Americans do not delay their gratification, and children perceive immediate gratification as the norm.

## 7. Not Teaching a Work Ethic

There is a huge problem today with kids having an "entitlement attitude," Work ethic is not an inherited trait. We must teach our children how to work for the things they want in life, whether it's a toy, a position in sports, or a job interview. The sooner you can teach children a work ethic, the better. Many parents I meet say their children are lazy, and they can't get their kids to help around the house. My answer to this is that they have given their children the option to do something or not rather than make it mandatory.

- With this in mind, it's extremely important to teach children a work ethic because it doesn't come naturally.
- Whether your children work at a job or decide to have their own businesses, their work ethic will play a huge part in their success or failure in either situation. Teaching children to give 100%, 100% of the time will pay off in all they do throughout their lives.
- Children are extremely smart and will play you for as long as you allow it. Don't allow your children to only give 50% effort because this will haunt

them for the rest of their lives

- Expect high standards from your kids, and encourage your child to always give 100% of their effort. This simple success habit will put your child far above their peers.
- A great way of showing a child the difference between a good employee and a bad employee is experience. When you are out in the market place, help your child to become aware of how they are treated by the employees. Let your child determine if the employees they encounter know their business or are they just there to receive a paycheck.
- By discussing the behaviors, attitudes and body language in a store or restaurant, you will help your child to understand the work ethic and how customers should be treated.
- You must instill a work ethic in your child early, never allow them to be lazy, remember you do not like it and either will their boss.
- Start simple, for example like making the bed, some kids' says well it's too hard, I don't know how, Johnny does not have to make his bed. Just explain well your not Johnny and I believe in you! Just keep helping your child until they can do it. Now my daughter does not even like when I make her bed, she says I do not do it as well as she does. This is just fine by me.

## **8. Not Teaching Kids the Power of Investing and Compound Interest**

Investing is an extremely powerful concept for kids. They have a gift that we, as adults, have lost, and that is the gift of time, which allows for compound interest and little amounts of money invested regularly. *When you teach your children to Invest, you teach them how to build financial wealth. Plus, the sooner you teach your children about retirement, the faster they will get there. Research shows you can become a millionaire on the minimum wage, but what they forgot to mention is that you must start investing when you're young in order to accomplish it! If we can all become millionaires only by starting young, why aren't we teaching this in Kindergarten?*

- Investing is the surest way for your child to have a secure financial future

- It has never been more important than it is today to teach your child the habits of saving and investing, because Social Security, company retirement plans, and the government is putting more and more responsibility on the individual.
- No one will take care of your retirement but you, and the sooner you think about retirement, the faster you will get there!
- Imagine how wealthy you might be today if your parents had started investing for you the day you were born.
- There are many ways to invest; by purchasing stocks, bonds, or mutual funds; putting money in private business, or investing in CD's, coins, art real estate or education to name a few.
- An easy way to explain stocks to your children is to ask them to name some of their favorite things. Suggest things like foods, drinks, toys, movies, videos, music, amusement parks, or clothing brands. Then explain that they can actually own a piece of their favorite companies.
- Albert Einstein said compound interest is the eighth wonder of the world. I explain to children that investing is like an apple seed, which grows into an apple tree and bears many fruit.
- The Power of Compound Interest. Albert Einstein said compound interest is the eighth wonder of the world. I explain to children that Investing is like an apple seed, which grows into an apple tree and bears many fruit.
- Here's a great example to help your child understand this concept: Brandy decides that at 14 she is going to start investing \$10 dollars a week, which is \$500 a year for the next 11 years until she is 24. This adds up to a total of \$5,500 that she will have invested.
- Her friend, Brian, who is the same age, decides he would rather spend his money than invest it. Beginning at age 40, he invests \$5,000 each year for 25 years. Brian will not be able to catch up to Brandy! In her 11 years, she saved and invested a total of \$5,500, and poor Brian saved and invested a whopping \$125,000. But by the time they both turn 65, Brandy's money will have grown to \$705,688, beating Brian's \$634,994.
- This is the power of investing when you are young and having your money compound over years and years. It does not take a lot of money! You can do this with a minimum wage job. \$42.00 a month was all Brandy invested. That equals one night out, two CD's, or one X-Box game. Imagine

if you save more than \$41.00 a month!

- This is powerful information for parents and children. Just imagine that your child could start investing the day they are born and have enough money to live on by the time they're 25 years old, while remaining financially secure in retirement. Can you fathom what a portfolio would look like if investments were made throughout life starting with childhood?
- Your child truly can become a millionaire!
- There are many calculators online, which allow you to input monthly amounts, and see how your money will grow over time. One of my favorites is [www.moneychimp.com](http://www.moneychimp.com), which has a visual graph for you to see.
- The longer you save your money, the more powerful the compound interest effect. So, the earlier you start saving, the more you make from compound interest. The same applies to other investments such as shares of stock where you regularly reinvest dividends or the company reinvests its profits.
- The Rule of 72

You made it to the end CONGRATULATIONS!  
Wishing you a life full of love, happiness and prosperity!

Warmly, Lori Mackey

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