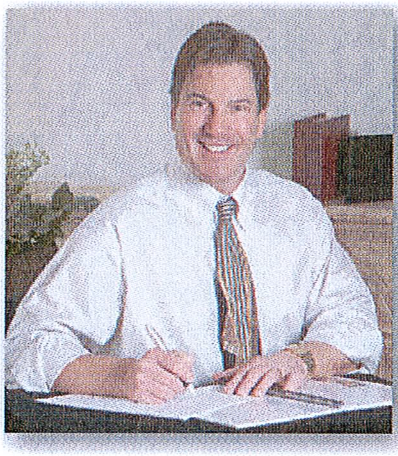
What are we teaching our kids?

The "I want, I need, Ipod Generation" Revisited

Part Two

By Mark Stevens



"They give my grandson too much", complains one of my elder clients. "He has so many toys he can't play with already. Of course when our own kids were young-well- who ever listens to their parents anymore."

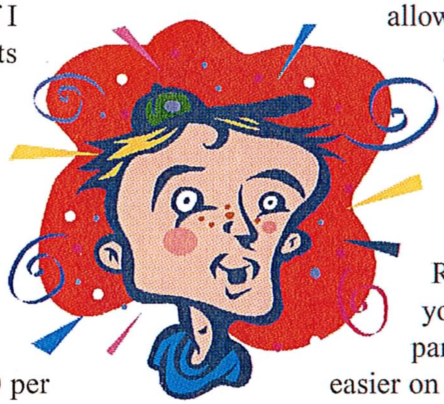
Over the last 20 plus years I have met hundreds of retirees and pre-retirees, and as part of our financial detective inquiries, I usually uncover this disconnect. Parents admit (at least partially) that somewhere in their child's life, they taught their child wrong. With the best of intentions (helping the next generation achieve a better life) they transmitted a mental mindset of entitlement. It's a mindset multiplied by the "NextGen" kids as entitlement on steroids. Add to that, immature money mindset, a heavy dose of consumerism and their children and grandchildren will be negatively affected for many, many years.

Delphi Lockport plant may be doomed.
That was the October13, 2005 Buffalo News headline. "Pensions under-funded by 10.8 billion at Delphi" Quoted the Pension Guarantee Corp. What do we know about our future retirement security? My elder clients taught me that our grandparents' and parents' sacrifices led us to develop an unrealistic approach to our financial affairs. The boomer generation is beginning to feel the squeeze, realizing that the federal government and corporate America are slowly bailing - unable to fund an unrealistic retirement income obligation. This, coupled with a poor savings, high debt, consumer-driven and "look at me" life style sets a pattern of certain difficulty during your non-working years. Worse, too many of our children expect too much reward for too little effort.

I agree with psychologist John Rosemond that the "postmodern psychological parenting" parents embraced in the 60's and 70's – a 180-degree reversal of how parents in the western world guided children for thousand of years is enormously destructive to "child, marriage, family, school and culture." Where did we go wrong? How did we become a culture that facilitates our children's impetuous desires while overlooking our significantly important needs to save, invest, eliminate debt and manage our finances?
Let's examine a few.

Allowance: I believe that what we call "allowance" originated from some form of quid-pro-quo between parent and child. If you know anyone who grew up in the country, their day likely began feeding animals and performing various pre-dawn duties prior to school, followed in the afternoon by a list of such post-school duties as feeding, cleaning up, and fixing items related to the farm, with little parental guidance. This obligation was a requirement, non-negotiable, with consequences if not completed. Performance was met by some form of stipend which we now call allowance.

When did this work for pay evolve into "your ten now, here is twenty bucks a week, just because you, my child, breathe air"? Parents, unless you expect effort for allowance, you are establishing a negative precedent: "I get a lot for little effort, and I am free to consume it all on instant gratification". If I used many parents allowance parameters in comparison to my agri-children allowances, effort to effort, agri-boy or girl would get $1,000 per week!



Debt: Have you seen the mortgage lender commercial with the guy driving around on his lawn mower boasting his affluence, coming clean at the end by saying "I'm in debt up to my eyeballs?" Recent bankruptcies show that too many people fall victim to credit card abuse, chasing immediate gratification to keep up with the neighbors by charging and advancing over their ability to pay. That's not too different from allowance: get something for nothing, spend it on impulses. If your child borrows money from you for a bike, a non-gift toy, or trip, set the parameters for pay back. Expect and monitor the repayment by withholding allowance or assigning extra work and provide consequences if it isn't done. Sound tough? Remember that you as a caring parent are much easier on your children than the government or the ultimate teacher herself: *life*.

(See my recommendations for allocating allowance and teaching our children how to become financially mature at MarkStevensFinancial.com)

Four Must-Teach Lessons:

1) Let your children know your goals for their college savings. Require them to save too, and never compromise your financial retirement security for overt college savings. College loans work too and provide an excellent monetary lesson for young adults.
2) Old enough to drive? Require jobs and at least shared responsibility for cars and their cost. Require at least a $10,000 life insurance purchase at this time, whether payments are shared with you or not.
3) Teach them about advertising pitches around age seven or eight. Ask questions like "What do they want you to do when you see that toy?" Or, "Gee, do you think that toy will fly around like that all by itself when you get it home?" Let them know they are being told and sold by TV. (Recent news story on PBS says marketers see a big growth by targeting the nine to fourteen year olds, primarily female; don't let your kids be victims.)
4) Teach children to overcome impulse spending. When they express frustration because a friend has so and so, replace "we can't afford" with "we choose not to". I do this with my kids; even though we can afford it, we choose better alternatives such as savings, debt reduction, and investments. (Mom and dad may consider that as well.)

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