

Good Financial Futures

Teaching healthy financial habits to your kids



Martin Hawes is a financial author, seminar presenter and an Authorised Financial Adviser. He has written over 20 books, many of which have appeared on the best-sellers list. He has written for many major newspapers and financial magazines. In this article Martin shares with us some tips to ensure our children get healthy financial habits, setting them up for their good financial futures.

No matter how much money you have, you will not live well and be happy if you lurch from one financial crisis to the next.

"Money can make people unhappy just as it can make them happy and this is only partly about the amount of it that you have."

Just as important as the amount you have is the way you manage and look after it; whether you live payday to payday or execute a plan that keeps you in control and, eventually, gets you ahead.

Good money management is mostly about the right habits and the right attitudes. These are best learned young. Young children may barely be able to do numbers but they will pick up attitudes and mind-sets: your approach to money becomes your children's approach to money. When a bit older, children can learn good habits and some money skills.

Children are likely to learn more about money (its joys and its griefs) from their parents than from any other source. If they see you staggering under a burden of debt and struggling to live pay day to pay day, they will understand that behaviour to be acceptable and normal. Any of your bad money habits and attitudes can become your children's.

On a more positive note, your good habits and attitudes can also become your children's. This is a case of getting your own house in order and then sharing it fully with the family. This means you need to aim to:

1. *Live within your means*
2. *Have debt only for things that build value (e.g. a house)*
3. *Pay off your credit card every month*
4. *Contribute to KiwiSaver*
5. *importantly! be in control of your money rather than the other way round.*

If children learn from you, they also learn by doing. They will pick up your attitudes to money simply by watching and listening, but, when they are old enough, they will learn the skills of money by managing it.

I think children should be given money tasks: for example, pocket money is a good idea but payments should come with a requirement for an expenditure plan. Also known as a budget, such a plan would mean on a weekly basis that your children would know where their money was going before they got it (the plan would leave a little money for discretionary purchases).

Your children need to learn that they can have anything – but they cannot have everything. Making an expenditure plan is about setting priorities as they decide what they will have and what they will not have.

Saving may also be a part of this. If pocket money is \$10 per week, children will need to understand that they can only make a big purchase if they put something aside. Just \$2 per week means \$100 saved each year.

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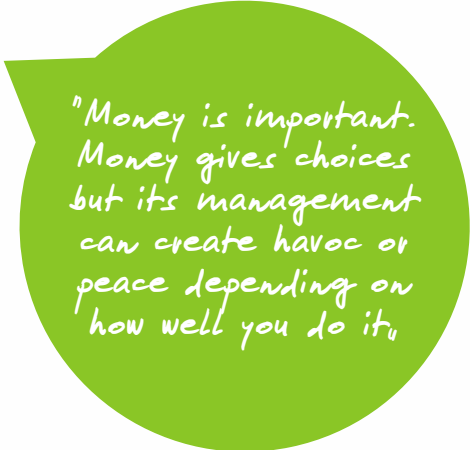
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A bit like a superannuation you may subsidise and so incentivise the saving and so the child ends up with the ability to make a \$200 purchase. That should be a big enough purchase to reward the good behaviour and perhaps turn saving into a habit.

There are some things that children cannot learn by doing: you are probably not going to let your 12 year old buy a house and mortgage it, nor open a superannuation account. However, you can let your children sit with you while you do these kinds of things.

For example, decide to change your mortgage or term deposits. Sit with your children at the computer while you look at the options. Look at the key factors for the right type of account or mortgage (e.g. whether it is good or bad interest, the amount of fees, past returns) and, with the children listening, think out loud.

More than anything, your children need to know that money is important. Money gives choices but its management can create havoc or peace depending on how well you do it. Teach your children well.



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Martin Hawes is an Authorised Financial Adviser and a disclosure statement is available on request and free of charge, or can be found at www.martinhawes.com. This article is of a general nature and is not personalised financial advice.



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