WHITE PAPER

Financial Parenting – A Lifetime of Lessons

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One offshoot of the current COVID-19 pandemic has been significant changes to the academic lives of children and their parents. Beyond virtual commencements and graduation "parades", living and dining rooms have become classrooms with parents doing their best substitute teacher impersonations. Shelter-in-place and social distancing measures translate into more family time.

As we practice these measures over longer periods, binge watching and gaming options are running short. The combination of these changes can lead parents on a quest for normal interactions with their kids that are productive and impactful. As the pandemic has brought the economy and financial markets into focus, it is a great time to become intentional about financial role modeling and education for your children.

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Several studies highlight the impact of parents' financial behaviors and teaching beginning in childhood,[1] through adolescence,[2] and into young adulthood.[3] Emerging literature suggests these lessons extend to later in life decisions like inheritance.[4] With such clear evidence, the hardest part can often be getting started.

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Below are a few examples of financial skills you can teach and financial behaviors you can model for your children:

EXAMPLES	CONSIDERATIONS
Include children, when appropriate, in infrequent financial events (car/home purchases, will/trust signing, etc.).	As these events are rare, participating in them can imbue confidence in children when they do it on their own. You might also offer to be present when it comes time for their first purchase/signing.
Monitor and pay bills in their line of sight on a regular basis.	As the days of mailing checks is nearly done, it is critical that children learn the discipline of paying expenses and debts.
Open a small savings or investment account and periodically review it.	This allows children to understand the power of concepts like saving and compounding. It can also help develop a curiosity in the financial markets and connect the dots on how the broad economy affects investments.
Celebrate/incentivize good financial behaviors.	By rewarding saving, investing, paying debts, and other positive behaviors, you create strong psychological links that stand the test of time.
Lead age-appropriate conversations on the family's financial circumstances.	Children are smart and information is more available than ever. By directly addressing changes in financial circumstances, parents manage the message. Walking through the family's plan and contingencies can also reduce potential anxiety.
Link chores and special projects to allowances.	In addition to keeping money within the household, this tactic can help breed responsibility and entrepreneurial spirit.
Create a system for children to take loans against their savings and allowance.	While the terms should be simple, this technique can help them learn how to use credit responsibly, long before they receive a credit card offer in college.
Assist in developing a budget for life events (summer camp, college, etc.)	By introducing budgeting this way, there is a natural link to independence. For mature young adults, it may make sense to review the household budget.
Play board/video games that grow financial skills (ex: Monopoly, Life, etc.).	This a fun way to get across many of the key financial concepts.

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While not an exhaustive list, these examples provide a good foundation for how to purposefully pattern and foster strong financial behaviors in children. In nurturing these elements, parents can make a lasting impact on their children. Academics, Joyce Serido and Veronica Deenanath, sum up these concepts best:

> *Financial self-reliance begins at home, with parents as gatekeepers of initial exposure to and understanding of the role and responsibilities, that finances and other resources play in the family—and that process continues throughout the life course. In the household, children learn values, attitudes, roles, standards, and knowledge from their parents, who learned these same attributes from their parents; financial parenting is an intergenerational process.*[5]

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Important Notes And Disclosures