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Re: Raising Children in Affluence

Many of us, if not most, have had the challenges and rewards of bringing up kids. Our playbook has ranged from Dr. Spock, to Penelope Leach, to our mothers-in-law. However, in most cases the advice has been devoid of one critical element that each of us has attempted to supply our kids with varying degrees of success.

I'm speaking here of good, solid help on how our kids value money and how they perceive wealth in their families and communities. As we all know, money will be an important element—for better or for worse—in their lives.

As financial advisors to families, we are called upon to offer our perspective and advice on this subject from time to time. Because parent-child issues are rarely isolated to money alone, in the past we have tended to refer clients to sources that supply a more universal and comprehensive view of the challenges that face us as parents. However, recent years have seen an increase in books and other materials devoted more exclusively to the issue of kids and money.

With this as background, we thought it might be helpful to provide references to materials that various members of our firm have found helpful. First, we review a few recent books that deal with teaching kids about money. We also supply a short bibliography of other books and online references you might find helpful.

Let's hope that your time is well rewarded and that some of these ideas contribute to the long-term financial health of the children, and possibly grandchildren, in your life.

Kindest regards,

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Raising Financially Fit Kids *by Joline Godfrey*

A common theme throughout many of the books we have used as reference is the idea of allowance. Should you do it? How much is too much? What should it cover and why should the child receive the money? Godfrey believes that families, no matter their level of wealth, should use allowance as a means of teaching children about the values of savings, giving, and long-term goal setting. She suggests using a system of three jars to divide the money for the purposes of: (1) spending; (2) saving; and (3) giving. This division of money should be carried through all money received, whether it be from formal allowance or from birthday or Christmas gifts.

As children become teenagers, and as their allowance grows, they should be expected to pay for a portion of their chosen hobbies and activities (even if this portion is only 1%). Not only does this give them perspective on the cost of their current standard of life, but it also deepens their appreciation for the activity or hobby because they now have a vested monetary interest.

Throughout the book, Godfrey emphasizes the use of open and honest communication between parents and children. In order to make the “game” fun, and to infuse real world application, Godfrey provides a wealth of practical applications that will allow children the chance to learn their own lessons (whether good or bad). Godfrey provides a quick and easy read using basic, easy to implement ideas.

Silver Spoon Kids *by Eileen Gallo and Jon Gallo*

This book is a bit more psychological and less tactical, yet it provides good insights into how and why families relate to money in so many different ways. In the first portion of the book, the authors take the reader through a psychological value system. For example: What is your money personality? What are your money values? Most of all, do you “walk the walk” or only “talk the talk” of your said values?

The Gallos focus a great deal on the importance of teaching children about the privileges of wealth. They believe that many wealthier children are raised in an ethnocentric environment, in which children believe that everyone has the same privileged circumstances. To dispel this perception, they suggest that diversifying the child’s view of the world by exposing them to other socioeconomic groups can go a long way in helping them truly appreciate their affluence.

Wealth in Families *by Charles W. Collier*

While this book focuses on what Collier calls the mega-wealthy (those with over \$50 million), it does a great job of highlighting the importance of family communication and management. The author asks important questions such as, “What is really important to your family?” “What are your true family assets?” and “What is your vision for your family’s future?” He reminds readers that wealth is not only the presence of material abundance, but also sharing meaningful relationships and obtaining fulfillment from our activities. Consequently, families should foster a culture of intellectual understanding, social awareness, and a striving for personal fulfillment.

Throughout the book, Collier touches on the basics of teaching children to value money as something they must earn. Families should begin to educate children about the notion of savings as early as age 3. Starting when children reach kindergarten, they should receive an allowance, but only if they have completed and taken responsibility for certain duties or chores. Most importantly, parents must allow their children to make mistakes with their own money. Collier believes that mistakes—at an early age and of proper scale to their age—are the best way to learn.

In our opinion, the best suggestion Collier offers is the concept of “family meetings.” These meetings, in which all members of the family (including children) come together on a regular basis to discuss the current and future use of financial capital, help the younger generation to appreciate and understand wealth. Children get to see and explore the role that the family’s resources play as the family lives out its values. This open communication also lessens the possibility of mistrust and misinformation. Further, Collier believes the proverb of “shirtsleeves to shirtsleeves,” (or financial wealth disappearing in three or four generations) can be avoided by passing along the stories of how wealth was acquired.

The three books discussed above contain a wealth of information (so to speak) and here are some additional resources that are available on the subject:

“Family Wealth – Keeping it in the family: How family members and their advisors preserve human, intellectual, and financial assets for generations”

By: James E. Hugh Jr.

“How Much is Enough: Everything you need to know to steer clear of overindulgence and raise likable, responsible, and respectful children – from toddlers to teenagers”

By: Jean Illsley Clarke

“Kids and Money: Giving them the savvy to succeed financially”

By: Jayne A. Pearl

“Money Savvy Kids: Parenting penny-wise kids in a money-hungry world”

By J. Raymond Albrektson

“Money Matter for Teens”

By: Larry Burkett

Websites:

www.moonjar.com

www.orangekids.com

www.lavamind.com