"Children and Money"

By Tommy Williams, CFP®

Are your children smart shoppers? Science Daily reported a meta-analysis of 73 studies nationwide that evaluated parenting styles and children's buying habits. The findings suggest, *"children raised by parents who set limits and explain the reason behind these limits are most likely to develop into wise consumers."*


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The study, which was conducted by the Society for Consumer Psychology, looked at the ways parents raise and communicate with their children. It defined four basic parenting styles:

- Authoritative parents generally tell children what to do and also explain why the children should do it. *"These parents tend to relate quite effectively with their children and expect them to act maturely and follow family rules, while also allowing a certain degree of autonomy."*

- Authoritarian parents are restrictive, too. They tell children what to do, but don't often explain why it should be done. These parents are *"…not as likely to exhibit as much warmth in their communications."*

- Neglecting parents don't offer much guidance or actively monitor children's activities. *"They neither seek nor use parental power and control and, as a result, communication between Neglecting parents and their children is generally strained and minimized."*

- Indulgent parents often *"…give children adult rights without concomitant responsibilities while maintaining an open communication environment with children."* These parents are described as *"lenient, compliant, accepting, affirmative, and non-punitive."*

The researchers concluded children whose parents take an authoritative approach to parenting tend to make better choices. The children choose to consume healthier foods (like fruits and vegetables), make better safety decisions (such as wearing a bike helmet), develop self-esteem, and offer viable opinions with regards to family consumption decisions.

Regardless of your parenting style, US News published an article outlining five strategies for raising financially responsible children:
"First, the best thing you can do to raise financially smart children is to practice smart finances yourself. You can't expect to teach your children a lesson you do not follow yourself. Spend less than you earn, get rid of debt, work toward large financial goals and don't be afraid to mention you're doing these things to your children. [Second,] have a consistent allowance policy. It's hard for an allowance to teach useful lessons if you change the policy constantly. [Third,] when they receive or

earn money, make them put aside some for the future. You should establish that saving at least some of the money you earn is normal. When you have money, you save part of that money for the future. [Fourth,] encourage entrepreneurial opportunities, and serve as the 'banker' for small ones. It is valuable for children to learn they need to work in order to have better things in life, so it's a good idea to give your children an entrepreneurial bent from an early age. [Lastly,] for teenagers, introduce the realities of your finances one piece at a time. As your children begin to climb into adulthood, teach them how adult finances actually work – working for income, paying bills, budgeting, saving for retirement and so on. The biggest thing of all…[is] communication. If you aren't communicating financial ideas to your children, none of the above strategies mean anything."

If you're struggling with how to discuss finances with your children, or perhaps they're coming to you with questions, it might be a good time to include them in communications with your trusted financial advisor. It also occurs to me, that as necessary as good communication might be, who you are (as a parent) is always far more important than anything you say.

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