

Mommy, Daddy, are we rich?

by Susan Beacham

My girls have asked many times, “Are we rich?” Each time, I would answer that we were very rich because we had each other and our health.

That worked in the early years. By middle school, however, they knew as well as I did that this was not the question they were asking. They wanted numbers.

This question of when is the right time to bare the family finances—to open the “financial curtain”—is one most parents struggle with. They are afraid to do too much too soon or too little too late.

Last summer, I knew my oldest daughter, Allison, not yet 16, was ready. My husband and I took her along for our quarterly meeting with our financial advisor.

I would like to tell you this was a purposeful moment in the financial education of my daughter. It was not. We did it at the last minute, mostly because it was summer and she was bored. But Allison is a money-savvy kid. She has been managing her monthly allowance, using the Money Savvy Generation allowance contract, since she was eight years old. She grew up using the Money Savvy Pig™, so she knows she has four choices for money—save, spend, donate, and invest—and how to set goals for those choices. By the time she was 13, she had saved \$780 and transferred it from her savings account to a mutual fund. She understood the power of paying herself first and knew that compound savings would grow her money in her savings account and her mutual fund.

She was clearly ready to leverage what she knew about money and learn more.

Sooner or later, every child is going to ask what's behind the financial curtain—so here is how you can get ready for that inevitable day now.

Consider doling out tidbits of information just to see how it's received. For example, the next time your child asks for \$20, open your wallet to show him or her how much is inside. Then walk the child through the expenses you'll have to pay out of the remaining cash. It may not keep him or her from grabbing the \$20, but it will help put the cash in perspective.

Or, the next time you sit down to pay the big monthly bills—the mortgage, utilities, phone, cable, and cell phone bills—ask your child to join you. Let him or her watch as the balance in the checkbook goes down, down, down. Make a point of showing how you take responsibility for making deposits to get that balance back up for next month.

If those lessons seem to be sinking in, consider opening the curtain a little wider.

But first, set some ground rules. The most important rule is to make sure the child understands that anything he or she learns about the family finances is confidential. It is to be discussed only with you. Unless and until your child understands this number-one rule, keep that curtain closed.

Next, be sure your child has the foundation necessary to understand what he or she is seeing once you open the curtain. If there isn't an understanding of the basics of money, what the child sees can be confusing, overwhelming, and scary.

Then, and only then—regardless of the age of the child—is it time to reveal all.

When we took Allison with us to meet our advisor, we gave her a pen and paper and told her not to talk during the meeting. She could listen and write down her questions for her father and me to answer later.

I have never seen my daughter listen so closely to our instructions. But this meeting was about money, and money will always capture a child's attention.

Since it was a last-minute decision, we didn't have time to warn our advisor that Allison would be joining us. But he didn't skip a beat. At the most appropriate times, he spoke directly to Allison, explaining the power of compound

savings, taxes, and how little people save today. Mostly, our meeting was the same as it always is: a lively discussion of our business, our investments, and the essential planning we need to do to maximize what we earn and save. After a three-hour meeting, we left to have lunch with Allison so we could answer her questions. She had many good ones.

During the car ride home, we asked Allison what the most important things were that she had learned that day. She had a ready answer: She learned that money is complicated. "If you want to live it up later, you can't live it up now," she said.

Knowing she understands that is worth more than everything we have behind our financial curtain. □

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