

DON'T EAT THE MARSHMALLOW

The fun and easy way
to teach your kids
about money



Robert Bihar

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to teach your kids
about money**

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I dedicate this book to my children.
I hope that we can all empower our children
to teach future generations.

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Contents

CHAPTER 1 WHY YOU NEED TO READ THIS BOOK

Part 1: Where do you start?

CHAPTER 2 UNDERSTAND YOUR MONEY ATTITUDES

CHAPTER 3 HOW TO MAKE LEARNING FUN AND EASY

Part 2 What to teach your kids

CHAPTER 4 SHOW YOUR KIDS YOUR WORKPLACE

Where does money come from?

Attitude #1: You start earning money by working

Attitude #2: Money gives you freedom

CHAPTER 5 DON'T EAT THE MARSHMALLOW

Where does money go?

Attitude #3: Do not buy on impulse

Attitude #4: Buy for needs before wants

CHAPTER 6 STICK A PICTURE ON THE WALL

How to teach your kids to save

Attitude #5: Saving must be connected to something we feel strongly about

Attitude #6: The power of saving money is that it gives you choice

CHAPTER 7 SMALL BABIES WITH CHUBBY CHEEKS

How to teach your kids to give

Attitude #7: Teaching your kids to give to others

Attitude #8: Spending gift money on experiences

CHAPTER 8 PUT THE MONEY BACK IN THE TOP DRAWER

Teaching your kids about debt and how to avoid it

Attitude #9: Don't spend more than you earn

Attitude #10: Don't borrow money to buy things you want

CHAPTER 9 BUILD AN ARCADE

Encouraging your kids to follow their passion

Attitude #11: Let your kids know what it is you love and why

Attitude #12: Let your kids explore what they love

Part 3 What to do next?

CHAPTER 10 WHAT HAPPENS NEXT?

Introduction

“Who is going to look after the finances if you are not around?” my wife said. I paused for a moment before I turned around and looked at her.

“Don’t worry...I have made sure you and the kids will be looked after.” However, my reply did not give my wife the level of comfort I expected.

“I have always relied on you to look after money matters,” she said. “You know that I have never been good at maths. I have always found numbers boring.”

Here I was a Finance Professional who had spent the last fifteen years teaching non-financial managers how to manage money. I would often share my work experiences with my wife, relating them back to our personal situation in the hope of teaching her some money basics. *Had I failed?*

Don't Eat The Marshmallow

My wife's next comment confirmed my worst fears. "I would not know where to start." *Yes I had failed.*

So began the journey to understand why. It was important to understand why so that I could help my wife beat her money fears. There were other people who would have the same fears. Great, I thought, I could help them as well. I wasn't that far into the journey when I realised my kid's ability to manage money in the future was the biggest thing at stake.

Did you know you're teaching your kids about money every day of their young five to 12-year-old lives? Research suggests you, your attitudes and the way you spend, save, conserve, throw away, waste and consume speak louder than any words

If you don't teach your children money sense, who will?

It's no surprise that as a parent, you probably find the concept of teaching your kids about money quite daunting. Maybe you're overwhelmed by your current money situation and therefore don't believe you have the "know how"; maybe you're not good with numbers! (Don't worry, being money-wise takes attitude, not a calculator, and I'll show you just how simple it is.)

Preparing children to become independent adults requires parents to teach their kids the basic life skills. Managing money is a life skill. It can be compared with other life skills such as cooking, cleaning, working and shopping. Many of these skills are learned through modelling. Children learn from what they see and experience.

The behavioural part of managing money is taught very little to school children. As a parent you have a pivotal role to play in teaching these behaviours to your kids from a young age.

Attitude, not figures

Kids are never too young to learn about money and what to do with it. It's not about maths and complicated calculations; it's about teaching your kids the right money attitudes. Attitudes are often formed early (between the ages of five and 12) and as parents, we are the key influence on our kid's behaviour at these ages.

Where it all starts

Financial Literacy is a combination of a person's skills, knowledge, attitudes and ultimately their behaviours in relation to money. Our money attitudes are formed during childhood. To understand this we need to ask ourselves what role our parents played in teaching us about money when we were kids.

In their book, *How Much is Enough?*, authors Arun Abey and Andrew Ford ask the reader to travel back in time to their childhood and ask these questions:

1. Did your parents talk to you openly about money as a child?
2. What part did your parents play in answering your money questions, e.g. did they tell you how much they earned?

As a starting point, it is important to understand how our money

attitudes were shaped by our parents. If we want to teach our kids the right money attitudes we will need to lead by example (actions speak louder than words).

What you will learn

Below, is a list of all you will learn to help your kids have a financially successful future:

Where do I start?

1. Understand your money attitudes.

What do I teach my kids?

2. Where does money come from?
3. Where does money go?
4. How to save.
5. How to give.
6. What is debt and how to avoid it?

What do I do next?

7. Follow your passion and teach your kids to do the same.

Learning should be fun and easy.

The key to learning about money is not the number of lessons, but how we can use everyday situations to make learning fun and easy.

Research conducted by ASIC (Financial Literacy and Behavioural Change, March 2011) suggests that messages can be particularly

powerful when they come from someone the target audience knows and/or identifies with:

People are more likely to hear and personalise a message that may result in changing their attitudes and behaviours if they believe the messenger is similar to them in lifestyle and faces the same concerns and pressures. (Sloane & Zimmer, 1993 cited in Saunders & Sampson, 1998, p. 29)

By using everyday situations you can make learning fun and easy. Most importantly, the learning will have long-lasting impact as it is relevant to your child's situation.

A book every family needs

Teaching our kids the basic money skills does not involve maths and complicated calculations. It's all about teaching the right money attitudes. By making the learning fun and easy, your kids will not even know they are being taught – it will become a way of life for them. Most importantly you are setting your children up to succeed financially in life – and what a truly great gift that is.

Your kids are never too young to learn basic money skills. Understanding your money attitudes will enable you to develop outstanding life skills in your children – and isn't that what we all want?

Don't Eat The Marshmallow

Why You Need to Read this Book

Teaching your kids basic money skills is the best gift you can give them. By providing your children with money skills at a young age, you are setting them up for financial success. If you are a parent with kids aged five to 12-years-old, you need to read this book.

Your kids look to you as a role model

Every kid needs a role model. In fact, every kid looks for a role model. They naturally turn to their parents first. As parents we need to be able to give them the answers to their questions. We need to be able to teach them without them realising they are learning.

It's not about the numbers

Your level of wealth does not determine your kid's financial success. What influences your kids' ability to manage money is what behaviours they have modelled from you during their younger years.

You don't have to raise your kids as little accountants in order for them to be good at managing money. If you can show your kids why it's important to save, spend wisely and to give to others (and themselves) you are well on your way. These attitudes will become a way of life for your kids, they will not even realise they are learning (it will not feel like a school lesson). This book provides you with the tools to create an engaging conversation with your child as opposed to a lesson. These conversations will become an important part of building a meaningful relationship with your kids.

My Story

My interest in studying people's behaviour can be traced back to my early years as a Finance Professional. The finance team would spend hours and hours trying to balance the annual budgets. Surely, once these budgets were set, the people on the floor would agree to these goals and work together to achieve them. It never quite worked out that way.

At first I thought it was the fault of the leaders of the place. Maybe they were not doing their job correctly. If they were good leaders then everyone would follow....wouldn't they? As I worked in

different companies (and in different countries) I realised that this was a common problem. Why did budgets fail?

To answer this question I looked at the company departments that were successful and ones that were not. The more I studied, the more I realised that the failing areas had a negative attitude toward their budget. They were dismissive of the whole process. They were overwhelmed with numbers and did not know where to start. They were defeated before they had even started.

On the flip side, those people who took time to understand their budgets, those who asked questions and challenged certain areas of their budget were more likely to succeed. They would discuss “their” money situation. They would often talk about what action would need to be taken so as to meet their budgets. Their focus was not on the numbers, but rather on their approach to achieving their goals. They were focussed on their attitude and as a result the numbers looked after themselves.

There are a lot of similarities between the experiences I describe above and how people manage their personal finances. People that are overwhelmed with their financial situation will have a negative attitude towards money. This can be a hard cycle to break.

People that have not been taught how to manage money will not know where to start. They will feel frustrated because they are expected to know what to do. This will also lead to a negative attitude towards money.

In my observations, people who could successfully manage the company budgets for their area were also successful in managing

their own money. There seemed to be a connection here – a common characteristic. I soon realised it all came down to attitude.

What will happen if you don't teach your kids the right money attitudes?

Here are some common mistakes you want to avoid if you want to teach your kids the right money attitudes.

Mistake 1: Thinking school will fix things (relying on others).

You cannot rely solely on your kid's education to teach them a life skill such as managing money. This skill is best taught by a role model. As discussed earlier in this chapter, your kids look to you as their natural role model.

Mistake 2: Not talking to your kids about money (avoiding the problem).

It is never too early to start teaching your kids the basic money attitudes. Research shows that kids start to form attitudes at age five. Having simple conversations with your kids about money is a great way to start. To form this habit, ask your kids a question about money every time you give them their allowance. You will soon find you won't have to prompt them as they begin to get more interested. This book provides plenty of examples of conversations to have with your kids (with most of them based on my own experiences).

Mistake 3: Forgetting to make it fun and easy.

Teaching your kids basic financial literacy is not another maths lesson. Making sure your kids get the correct change when they buy something is important, but it's not going to set them up for financial success. Your kids will learn by watching you. They will ask you questions if they are not sure of something. They will talk to you more about money and it will not feel like a "lesson."

Example of Mistake 3:

Stan and Melissa send their kids to the corner shop to buy milk and a newspaper every Saturday morning. They give their kids notes so that they have to receive change. They tell the kids how much the milk and newspaper cost so they can check that they received the correct change.

The good news is that the kids are being exposed to the cost of everyday items. They are also being exposed to maths via money which will help them with their subtraction at school.

The risk with this is that they are only being exposed to a couple of items (namely milk and newspaper). They are not being challenged to make a decision of what to buy with a set amount of money.

Mistake 4: Not teaching your kids what to spend their money on.

This is a common mistake and one I experienced as a child. The mistake that a lot of people unwittingly make is they give their kids an allowance, but they don't show them what choices they have

to make. They also don't allow their kids to make mistakes and therefore lose the opportunity to teach their kids when the stakes are low.

Example of Mistake 4:

George and Sally open a separate bank account and involve their kids in the banking of money they receive for their birthday, chores or holidays.

The good news is that the kids will begin to understand the value of money as they see their savings grow. They will also know how much they have, which might spark the question of, "What should I spend my money on?"

The risk with this method is that the kids have not been exposed to managing money. They are not able to make decisions on whether to spend their money on important needs before wants. They will not experience the consequences of making a bad decision. As the saying goes, "You learn from your mistakes."

Mistake 5: Not teaching your kids to save.

As parents we want to do the best thing by our kids. We want to give them what they want as it also makes us feel like we are providing for them. The thing to be conscious of here is that we need to teach our kids to save for the things they want. Teaching your kids to work out how long it will take to save for a goal is a great start. Teaching your kids to save will form the basis of discipline and self-control they will need later on in life. This is how you teach your kids to avoid debt.

Example of Mistake 5:

John and Margaret have saved the money their kids have received in a separate bank account and give it to them as a surprise on their sixteenth birthday.

The good news is that the kids were provided with a deposit for a bigger purchase to start their adult life, for example a car.

The risk with this method is the kids will not know the value of money as they have not used their money before then and they have not been faced with making a choice about where their money should go. Chances are they might spend these savings in one hit and not have the skills to save for another large amount.

Mistake 6: Not teaching your kids to give to others (and themselves).

Not teaching your kids to give to others will limit them with their decision making with the money they will earn later in life. Using money to give something to others is an important attitude as it provides a sense of wellbeing. It provides happiness to the person receiving as well as providing a sense of happiness to the giver. It is important to give to something that you can connect to.

As well as giving to others it is also important for your kids to use money “gifts” they receive to *gift themselves*. Examples of *gifting yourself* would be experiences that give an opportunity to explore your likes and passions. We learn something about ourselves from these experiences and it is a great way to honour the person who has gifted us.

Example of Mistake 6:

Ian and Michelle are grandparents; they give their grandchild \$250 to buy an iPod. They want to fulfil their grandchild's wish for Christmas. The parents are very grateful and they chip in the rest and take their child to the store and buy the iPod.

The good news is that the child's wish is fulfilled. The risk is that this may lead to wanting the next "biggest thing" next Christmas or their next birthday. The opportunity to give their grandchild an experience they will always remember has also been lost.

Mistake 7: Not sharing your passions with your kids.

Life is not just about money. Are you doing what you love? Some people go through life without finding their passion; what their purpose in life is. Don't be one of these people as your kids are looking to you to see what you are passionate about. Sharing your enthusiasm and love of a subject with your kids is infectious. Let them know why you are passionate (don't put pressure on them to follow in your footsteps).

How do I know if I have been successful?

You will know if you have been successful by the changes you see in your kids' money choices and behaviours. The speed of change will vary in each situation, but with love and encouragement your kids will learn about money and what to do with it.

Example of Success:

Sue and Jason give their kids a weekly allowance. The kids are

Don't Eat The Marshmallow

encouraged to make a decision on what they spend their weekly allowance on. They are also encouraged to save some money as well as to give some money. Any large money gifts received to celebrate a special occasion are stashed away into the kid's savings account (the kids are part of the banking process). This money is used for *experiences* for later years.

The good news is these kids are being taught what to do with the money they receive. They are learning they have a choice about what they do with their money.

In this book you will learn how to teach your kids to make good choices by showing them the right money attitudes.

Don't Eat The Marshmallow

Understand your money attitudes

As a parent you want to bring up your kids in the best way. You want to teach them the necessary life skills to prepare them for the big wide world that awaits them. Managing money is one of the necessary life skills that should be included when discussing life with your kids.

A survey conducted by the American Institute of Certified Public Accountants shows that parents are more likely to talk to their children about other important topics, but finance is often overlooked.

- The importance of good manners (95%)
- The benefits of good eating habits (87%)
- The importance of getting good grades (87%)
- The dangers of drugs and alcohol (84%)

- The risks of smoking (82%)

Source: Article by Ken Tysiac title, "Many parents failing to educate children about money" - Journal of Accountancy, August 9, 2012.

It is important to talk to your kids about money, but before you do, you need to understand your own money attitudes.

Your money attitudes

What are your money attitudes? Have you ever thought about the way you perceive money? As a starting point, it is important to understand your own money attitudes because some of them may not be the right attitudes to teach your kids. If you want to teach your kids the right money attitudes you will need to lead by example (actions speak louder than words).

Exercise: Work through the following list of questions to form a clear idea of where you stand when it comes to finance. Make a note of the questions you answered 'yes' to.

1. Are you uncomfortable telling your kids how much you earn?
2. Do you use money as a measure of success?
3. Do you exclude your kids in family discussions about money?
4. Do you succumb to your kids' wants even though you can't afford it?
5. Do you resent your day job? Is money the only thing getting you up in the morning to go to work?
6. Do you borrow money that you cannot repay?

To understand how these attitudes were formed, let's travel back in time to your childhood and ask yourself these questions:

Did your parents talk to you openly about money as a child?

Research conducted by the ANZ bank shows that discussion of financial matters between parents and their children is likely to lead to stronger financial literacy outcomes for the children than if such discussions do not take place. (Adult Financial Literacy in Australia, December 2011).

Did your parents talk to you about the general role money plays in life? Don't worry if they didn't because I will show you the best ways to guide your kids so that they understand what money means to them and what money attitudes will set them up for life.

What part did your parents play in answering your money questions?

1. Did your parents teach you where money comes from? Did they openly discuss what they got paid on a monthly or annual basis?
2. Did your parents show you examples of how to save for a family goal, for example a family holiday?
3. When times were tough financially, did your parents share the facts openly with you? Did you understand that this would involve sacrificing some of your wants?
4. Did your parents give some of their money to charities or other causes?

5. What was your parents' attitude towards debt? Did they avoid it at all costs?
6. Did your parents encourage you to follow your passion?

Make a note of the questions you answered 'no' to. Can you see a connection between those and the list from the previous exercise? Don't despair if you answered 'no' to most of the questions above. The important thing is to understand how your attitudes toward money have the potential to impact your kids' attitude to money.

How were my personal attitudes formed?

My childhood memories of money conversations were mixed. My parents were hard working and they instilled this into us from a young age. We would hear my Dad drive off early morning and then see him return late in the day. When we heard his car turn into our street we would run out to open the gate. We would also see the physical nature of my dad's job as a wall and floor tiler. His hands were permanently grey, showing some remains of the grout he used to finish the day's job. After a while his knees would become sore and swollen. From a young age we were constantly reminded of what hard work meant.

My mother worked full-time whilst raising two young boys. My mother has a heart of gold. She would always put our interests before hers. Mum would accumulate our savings for us into our separate bank accounts. She was very proud when she had saved \$5,000 each for us. At the same time if my brother and I made enough noise about a want, Mum would somehow find the

money for us. As I got older I would find out that she did this by sacrificing her own wants. Mum would always talk to us about the importance of saving for the future.

What attitudes do you need to change?

Now that you have begun to understand your own money attitudes you can begin to guide your kids' attitudes in the right directions. By the end of this book, you will know how to teach these money attitudes to your kids in such a way that they will not realise they are learning. Your kids will be engaged with your conversations and you will have a lot of fun with them along the way.

To help you get started, here is a quick list of 'Do's' and 'Don'ts':

1. DON'T avoid conversations about money with your kids.
2. DON'T complain about your job in front of your kids.
3. DON'T give your kids a bonus allowance if their weekly amount runs out early.
4. DO set aside money for savings, donations to charity and investments.
5. DO lead by example. If you want to teach your kids not to spend money on items they don't need then you need to give up something you want, but don't need. You need to choose something that your kids will know you will miss.
6. DO show your kids what you are passionate about.

What attitudes do I need to teach my kids?

Here is a complete list of the money attitudes that we will focus on in this book:

Where does money come from?

Attitude #1: You start earning money by working.

Attitude #2: Money gives you freedom.

Where does money go?

Attitude #3: Do not buy on impulse.

Attitude #4: Buy for needs before wants.

How to teach your kids to save

Attitude #5: Saving must be connected to something we feel strongly about.

Attitude #6: The power of saving money is that it gives you choice.

How to teach your kids to give

Attitude #7: Teaching your kids to give to others.

Attitude #8: Spending gift money on experiences.

How to teach your kids about debt and how to avoid it

Attitude #9: Don't spend more than you earn.

Attitude #10: Don't borrow money to buy things you want.

Encouraging your kids to follow their passion

Attitude #11: Let your kids know what it is you love and why.

Attitude #12: Let your kids explore what they love doing.

You will have an opportunity to explore each one of these attitudes as you read this book. At the same time, we will explore what your

attitudes are and how they were formed. This is a common theme that we explore in each chapter of this book.

To successfully teach your kids the right money attitudes it is important to understand what your own money attitudes are and how they were shaped.

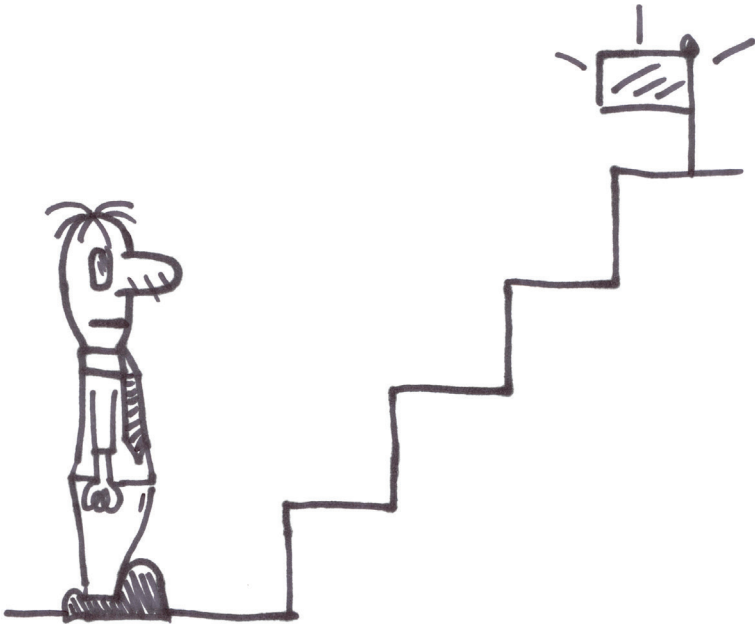
Recommendation:

At this stage you should be planning to have your next conversation with your children about money. If it is going to be your first conversation, then I congratulate you for taking that first step. You are setting up your kids to succeed financially in life – what a truly great gift you are giving your children.

Before you start a financial conversation with your kids, read the next chapter as I will show you how to make the learning fun and easy.

Don't Eat The Marshmallow

How to make learning fun and easy



Don't Eat The Marshmallow

Now that we understand our own money attitudes it's time to begin teaching our kids.

One of the fears we have when teaching our kids about money is that the subject is boring. No parent wants their kids to think they are boring.

The good news is that research conducted by ASIC (Financial literacy and behavioural change, March 2011) suggests that while using humour and fun can be risky, used appropriately, it is very effective at securing attention, appeal and memorability.

Teaching kids about money at a young age is all about memorability. We want our kids to absorb the lessons we teach them so they can build upon what they learn through their experiences in life.

So, how do you make the learning fun?

Tell them your stories

Scam campaign research commissioned by the Australasian Consumer Fraud Taskforce (ACFT, 2008) suggests that the use of personal stories is also an important and valuable tool to engage the audience with the campaign messages.

Do your kids love hearing stories about you when you were a kid? My kids certainly do. These stories can be used as a starting point in talking to your kids about money.

Here is an example of one of my conversations with my kids:

Me: So kids, how much money have you saved in your piggy banks?

My kids looked at me blankly, and then started laughing uncontrollably. My seven-year-old daughter smiles at me and says,

Don't Eat The Marshmallow

“We save our money in a money box.”

To prove her point my daughter goes to get her money box. My son follows her to his room.

Daughter: See, I have a “jewellery” money box and an aeroplane money box.

Son: I have a Superman money box.

Me: When I was a kid, we had money boxes that looked like pink pigs. That’s why we called them piggy banks. There wasn’t a plastic cover on the bottom where we could take money out. I would leave mine on my bedside cupboard and it was usually full of coins.

Daughter: How did you take the money out if you wanted to buy a lollipop?

Me: Well you would save all your money until your piggy bank was full. I used to shake it around to see if there was any room left. When the piggy bank was full we would break it open to get the money out.

My kids could not believe that you would have to break your money box to get money out. I explained to them that it meant we would save a lot more money because we didn’t have an easy way to get it out to spend it. The look on their faces told me that they thought this was pretty cool.

The above is an example of how a simple story discussed with your children can begin the journey of teaching your kids how to manage money.

In his book, *Brain Rules*, Doctor John Medina, a molecular biologist, “shares his lifelong interest in how the brain sciences might influence the way

Don't Eat The Marshmallow

we teach our children and the way we work” (Source: www.brainrules.net). Rule number four in his book states, “We don’t pay attention to boring things.”

Here is how I applied his key points in the *piggy bank conversation* above:

1. “*The more attention we pay, the better the learning.*” Telling a personal story is a great way to stimulate emotion. In the example above, the emotions stimulated were laughter, happiness and nostalgia (and I got plenty of them).
2. “*Always start with the key idea and let the detail follow.*” The key idea was the notion of saving money. Times may have changed but the notion of a money box to collect your pocket money remains.
3. “*The brain needs a break – try not to relate too much information with not enough time devoted to connecting the dots.*” The fact that my kids asked me a couple of questions after my short story gave me the comfort that they were connecting the dots around the key idea of saving.

As a result, this story will have a lasting memory for my kids and will lead them to an increased level of financial literacy.

Exercise: Write down three money related stories from your childhood. Check if any of these stories are connected to an event your child is currently experiencing.

Ask them what they know

This is a great way to start a conversation with your kids. It allows them to share their knowledge with you up front. If they don't know the answer, let them ask questions – this is how they decide whether they will model your behaviour.

If they really don't know what to say in response to your question ask them to draw a picture describing what they know. Keep the drawings and refer back to them as it will bring back memories and emotion for your kids (and for you as well). Your kids will refer back to these drawings and reflect on what their thoughts were at a young age. This will also make for fun conversations as your kids continue to learn.

Make it real

Don't use pretend money – make it real and give them an allowance. If your kids ask to borrow money from you, get them to repay you before they can borrow any more.

It is also important to get involved with your kids. For example, when you start to teach your kids the difference between needs and wants, show them examples that relate to you. If you are trying to teach your kids to give up a want, join in with them and give up one yourself. In this example, choose a want that your kids really know you enjoy.

When using examples, try and think of what your kids will relate to. In my experience, kids relate to stories about other kids the most.

Don't Eat The Marshmallow

Encourage your kids to make their own decisions. For example, when you begin to teach your kids where money goes, you are teaching them that there are choices to be made when you have money. Don't be afraid to let them make choices that they won't like down the track. These will be inexpensive lessons compared to later on in life when the decisions your kids will face about money will be much larger in both dollars and impact. Share with them decisions you made as a kid and why. They will love to hear your stories.

Attach emotion to your learning

Telling personal stories is a great way to stimulate emotion. Can you think of stories from your past that had an influence on your life? Can you remember the emotion you felt and how that impacted what you did?

A good example that also allows you to get involved with your kids is to save for a family holiday that caters for everyone. Think of the emotion when you describe to your kids the fun they will have riding the theme park rides. Think of the peace and tranquillity you and your partner will experience when you are lazing around on the beach enjoying spectacular sunsets. Not only will you save for your goal, but you will always have fond memories of the experience.

Make it visual

In his book *Brain Rules*, author Doctor John Medina, shares ways

in which we should teach. Rule number ten in his book states, “Vision trumps all other senses.” In particular he describes how:

- We do not see with our eyes, we see with our brains.
- We learn and remember best through pictures.

In my experience, I have always encouraged my kids to draw a picture to describe what they have learnt (you will see some of their examples in this book). Another great opportunity to make the learning visual is when you start to teach your kids to save. Encourage your kids to stick pictures of what they are saving for on their bedroom wall or cupboard. The bonus for you is that you will be able to see what things are foremost in your child’s mind. You can also use these as a prompt for money conversations.

So how do we make it easy?

The most important thing to remember is that teaching our kids the basic money skills does not involve maths and complicated calculations. It’s all about teaching the right money attitudes.

To make the learning easy, we need to “...*create teachable moments around things your kids care about*” (from the article by Ken Tysiac, “*Many parents failing to educate children about money,*” August 9, 2012).

Speak their language.

Your kids live life in the present, especially those aged between five to 12-years-old. This means you need to speak their language. There is no point telling your kids to save money for their university

Don't Eat The Marshmallow

education. All they are interested in is the next week and what they will be doing on the weekend with their friends. Try and remember this when you are trying to teach them how to save.

Note: A child might not care about saving money for a university education as they are more interested in buying a toy or spending money on video games.

Saving for a toy is fine as it is a goal your kids will connect to. Let them make this choice and they will tell you how they feel after a while. The thrill of getting the new toy may wear off pretty quickly leaving them to regret the purchase. This will impact how they choose to spend their next bit of saving.

Do as I do

To make the learning easy to remember you need to model the behaviour you are teaching. This way your kids will have their role model display the behaviours to model whenever they need. Get involved with your kids – take up any challenges with them.

Example: When teaching your kids not to borrow to buy wants you need to make sure you are not doing the same. If you have a credit card and you use it to purchase clothes, you need to pay off the balance in full when it is due. If you don't, then you are borrowing money to buy your wants.

Are the current teaching programs successful?

Research conducted by ASIC (Financial literacy and behavioural change, March 2011) suggests that the tools used to deliver financial education programs vary widely and warrant further testing and research:

There has been no systematic testing of the delivery methods used to increase financial capability. This is a serious oversight. The process evidence that is available indicates that classroom or workshop delivery depends on the quality and suitability of the teaching materials available, but also on the confidence of the teacher or facilitator. We know virtually nothing about the factors that might influence the success or failure of schemes using other forms of delivery, (Atkinson for the FSA, 2008, p. 73).

You can't rely solely on the school system to teach your kids how to manage money. It is a life skill that needs to be taught as a behaviour. Your kids look to you as a role model – a role model to teach these behaviours.

Recommendation:

To successfully teach your kids the right money attitudes it is important to make the learning fun and easy.

In summary, the key things to remember are:

- Make it fun by telling your kids stories from your childhood.
- Better attention equals better learning (emotions get our attention).

Don't Eat The Marshmallow

- Make it real for your kids.
- Make it visual.
- Model the behaviour you are teaching.

Where does money come from?



where does monecy come from?

You may be wondering why we would want to ask such an easy question, but if you think about how our kids live in a society where their parents are handling less cash and relying more on EFTPOS, this becomes quite an important question to ask at an early age. The advent of internet banking and the increased use of credit cards mean the need to carry cash in our wallets and purses is no longer a requirement.

In a world full of credit cards and internet banking money has become invisible.

What does this teach your kids about where money comes from?

The ATM Conversation.

When my daughter turned seven-years-old I thought the time was right to ask her the question, “Where does money come from?”

Me: So tell me, now that you are a grown-up girl, can I start asking you some hard questions?

Daughter: Yeah, okay...this sounds like fun.

Me: Can you tell me where money comes from?

Daughter: That's easy. It comes from the ATM machine when you put your card in. You have to remember to cover up your secret code so no-one else finds out what it is.

Me: Do you know how money gets into the ATM machine?

Daughter: Yes, it comes from the bank.

Me: Do you know how money gets into the bank?

Don't Eat The Marshmallow

My daughter pauses leaving the door open for my ten-year-old son to enter the conversation.

Son: Mum and dad get paid money for working every day. At this point I grabbed my employee pass and showed this to my kids.

Me: (pointing to the pass) Kids this is who pays me.

Daughter: Cool. When can I start working?

You need to start having this conversation with your kids from an early age (six to seven years of age). Try and make it visual to make the learning fun and easy. In the conversation above, I used my employee pass to make the lesson visual. My kids see me with my pass every morning when I kiss them goodbye on my way to work.

Exercise: Ask your kids the question, “Where does money come from?”

Attitude #1: Money comes from working.

My father taught me the same attitude, but in a different way. My lessons were more physical.

My Story

My father taught me that money came from rolling up your sleeves and working hard. He taught me about the importance of a good work ethic at a young age. My father was a wall and floor tiler and I would often go to work with him on the school holidays (started from the age of 13). As a

result, I was under no illusion that money would find its way to me without hard work.

The above is a simple example, but one that I could relate to from a young age. The fact that I experienced how hard my father worked also taught me to appreciate the weekly pocket money I received from him. We as parents all have examples like these. What would yours be?

Exercise: Think back to when you were a child. Can you remember how money came into your household? Can you remember at what age this became clear to you?

Now that we have established that work equals money, it is important to be aware of our attitude towards work and how this imparts on our kids. If you as a parent constantly talk about how much you hate work in front of your kids, then they will make a negative connection between work and money. If you as a parent constantly display anger when you come home from work, then your kids will make a negative connection between work and money.

Note: It is important that your kids make positive associations between work and money. Do not teach your kids to resent work and money. Teach them to pursue their passion in their work (more on this in Chapter 10).

Attitude #2: Money gives you freedom.

The amount of money a person has should not be used as a measure of their success. Instead, it is what a person does with their money that is important.

Where does your kid's money come from?

You know the answer to this question better than anyone. The most common way to “give” your kids money is by way of a weekly allowance. The most common example of giving an allowance is by paying it to your kids once their chores are completed. Other examples involve rewarding your kids with money when they display good behaviour. Based on my experience, I am going to recommend that you don't make these connections. The purpose of giving your kids an allowance should be to expose them to managing money.

Let me explain based on my own experiences.

Their allowance should not be connected to behaviour

The allowance you pay your kids should not be connected to behaviour. For example, you should not be using the allowance as a way to punish your kids if they are not behaving.

Try and avoid these types of conversations:

You: If you don't stop fighting with each other you will get punished.

Your Kid: It's not my fault. I want to stop fighting, but my brother/sister

keeps making fun of me and calling me a “chicken.”

You: I don't care who started it. You have been fighting non-stop for the last two days and if you don't stop you will not get your allowance.

Your kids will listen to this conversation and will start to behave in a better way because they want to get their allowance, not because they care about hurting someone's feelings. The difference between good and bad can be clouded by influencing their behaviour with money.

Their allowance should not be connected to basic chores

In a similar way, the allowance you pay your kids should not be connected to basic household chores. Your kids should be taught responsibility (keeping their bedroom tidy) without the need to use money as a motivation.

When my wife and I first started giving our kids an allowance we paid it to them on a Saturday. This is a day of cleaning chores in our house, so the kids made a connection between their allowance and the completion of these chores. It didn't take long for my son to test the system.

Allowance conversation – first try

Son: Dad when will I get my allowance this week?

Me: You and your sister got your allowances the other day. You haven't spent it already?

Son: No I haven't, but I emptied the bins yesterday and brought them in today and I was wondering when I was going to get my allowance for that.

At this point of the conversation, I realised that my son had made a connection between finishing the cleaning chores and receiving his allowance. It didn't take long for my wife and I to figure out that by paying the allowance on the day the chores were finished meant that our son had made this assumption.

If your kids make this connection they will expect a reward for every chore that is completed. They will not understand that chores teach responsibility. Keeping your room tidy is a basic lesson of life that you want to teach your kids from an early age. You want to avoid the situation where your kids expect a reward for everything they do. They will grow up with an attitude that involves money as a reward. There are rewards far greater than money. Think back to the last time you gave up your time to volunteer for a good cause. How good did that feel?

You should not be using their allowance as a way to reward the completion of chores.

Allowance conversation - second try

The next Saturday was a busy one and we were running behind with our chores. My son looked a little anxious as he came up to me.

Son: Dad, are we still going to get our "pocket money" today?

Me: Of course it's Saturday.

Don't Eat The Marshmallow

Son: But we haven't finished our chores yet.

Me: Son, do you know why Mum and Dad give you "pocket money" every week?

Son: You pay us for helping around the house.

Me: No, we give you "pocket money" because we think you are old enough to be responsible for your own money.

Son: What do you mean by that?

My wife could not resist explaining to our son what we had talked about the other night.

Wife: Son, we are giving you an allowance because we think you are old enough to save money.

My son looked at both of us as he processed that thought. Then he smiled and said to both of us, "Yeah, I get it now."

Allowance conversation – how to start with a seven-year-old

Once we had the conversation with our 11-year-old son, I realised that my seven-year-old daughter may be even more confused.

Daughter: Hi Dad, are we going to play down ball today?

Me: Yes we can play, but can I ask you a question first?

Daughter: Okay, but then can we play down ball?

Me: Of course. Do you know why Mum and Dad give you an allowance each week?

Daughter: What's an allowance?

We were officially off to a rough start. I had to act quickly before I lost my daughter's attention.

Me: Sorry, I meant to say "pocket money." Mum and Dad give you pocket money every week.

Daughter: Yes I remember the "pocket money." Sorry Dad, but I don't know why you give me that money.

Me: We give you that money because we think you are old enough to save.

Daughter: What does "saving" mean?

Dad: Can you remember that Care Bear you showed me yesterday? Can you remember how much it cost?

Daughter: Yes it cost \$70. Can I get one?

Me: You need to have \$70 in your money box before you can get one.

Daughter: That's going to take a long time.

Me: Don't worry. We can check how much you have when you get your next lot of "pocket money." Now let's go play some down ball.

I didn't want to make the conversation too long so I stopped it here. I made a note of the connection my daughter had with her want (the Care Bear). I would refer back to it when the time was right to talk to my daughter about where money goes (Chapter 5).

How much allowance should you give your kids?

This really depends on your situation and what you are comfortable to start giving your child. I started giving my youngest child an

allowance at age seven. To make things simple for my daughter, her “pocket money” was the same as her age. This made it easy for her to remember how much she got each week.

The most important lesson here is to teach your kids what to do with their allowance. **The reason you are giving your kids an allowance is to teach them how to manage money.**

What can you teach your kids to do with money?

Remember, your kids learn from your actions and what you do with your money can influence what they will do with theirs. The four things you need to teach your kids are:

1. How to spend.
2. How to save.
3. How to give to others.
4. How to give to themselves.

How to spend

We all have wants. How nice would it be to have the latest iPhone or iPad? Do you feel pressure to buy the latest “things” because friends and family have them? This is quite normal to feel this way. The trick is not to always give in.

Every time you give in and buy yourself that latest “want” you build a habit or feeling of satisfaction. This feeling will want to continue. The only way it can continue is if you buy something

else to replace that want – and the scary thing is the size of the want becomes bigger with every purchase.

How to save

Saving money is an attitude. In fact, it is one of the most important attitudes to teach your kids (it's so important that it gets a whole chapter – refer to Chapter 6). Saving money is the most powerful lesson to teach your kids. Just imagine what it would be like not to be in debt – this is possible if you learn the power of saving from a young age.

How to give to others

Your money can be used to give others a start in life. It can be used to give others happiness.

Teach your kids the power of giving from a young age. It will teach them to lead a meaningful life.

How to give to yourself

The gift of giving provides us with an opportunity to give to ourselves. The next time your kids receive a money gift, think about how that gift can be used to provide your kid with an experience (as opposed to buying their favourite toy or electronic game). Your kids will learn from experiences – they will remember the emotion attached to those experiences. It will help them learn about themselves and give them confidence to experience new

Don't Eat The Marshmallow

things. What a great attitude to teach your kids.

If you can teach your kids how to spend, save, give to others and to themselves at the same time, then you have nailed it.

Exercise: When you next give your kids their “pocket money” or weekly allowance, ask them to split up the amount into the four groups above. You can buy money boxes that have four compartments which will allow your kids to split their amounts every week. Try and give them some coins so that they can allocate their money easier. Alternatively, you can use four jars to help your kids see where their money is going.

Do not teach your kids that money is the only way to measure success. Teach them that what they do with their money is more important.

Recommendation:

The first money lesson to teach your kids is to make them understand where money comes from.

To successfully teach your kids the right money attitudes start with the following:

- Work equals money.
- Money gives you freedom.

Try and avoid these attitudes:

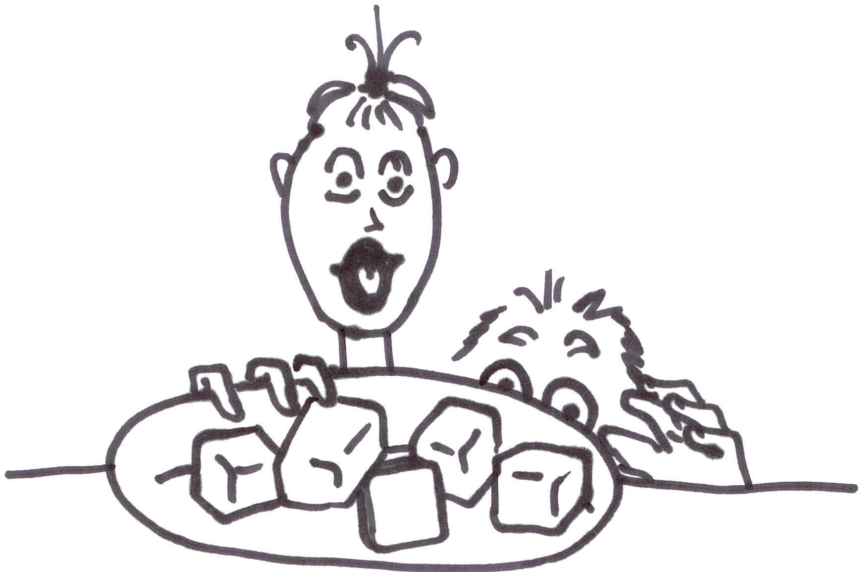
- Resenting money and work.
- Money equals success.

Remember these steps to make the learning fun and easy:

1. Ask your kids where money comes from.
2. Give your kids an allowance.
3. Buy them a piggy bank.

Don't Eat The Marshmallow

Where does money go?



Don't Eat The Marshmallow

It is important to teach your kids at a young age that things cost money. Once they understand this, they will then start to wonder about how much money they will need. They will start to ask themselves, “Where will I get money from?” This is exactly what you want to hear as a parent trying to teach your kids about money. If they are starting to ask these questions then it's all going according to plan....well done!

Children often see you spending money when you go shopping or when you take them to the movies, but they don't see when the monthly bills are being paid off. This means your kids (as they get older) could have an incomplete picture of the cost of living.

The challenge here is that in today's world, money has become invisible. With the increased use of credit cards and internet banking there is little or no exchange of cash. This means that there are no visuals for our kids to remember.

Wherever you can, you need your kids to experience money changing hands. When the time comes for your kids to use any savings to buy their favourite thing, or to buy an experience, let them pay for it with cash.

Example: The next time your kids want to top up the iTunes account, let them buy a card with their allowance. Take them to the store and let them buy the card with cash. I know it's easier to top up the account online with a credit card, but the opportunity to teach your kids and have some fun with them is lost.

What is your money attitude – where does your money go?

Can you remember back to your childhood? Did you receive an allowance from your parents? What did you do with this allowance? Did your parents give you any advice on what to do with this allowance? Chances are that if your parents did not give you any advice on what to do with your allowance you may have spent it all on things you wanted.

Now think about your current day spending habits. Do you buy things you want before things you need? Do you buy on impulse? If so, you need to be aware that your kids will model this behaviour.

Exercise: If you want to start avoiding this behaviour I have a strategy for you to try. The next time you go shopping and you see something that you think you must have, do not buy it straight away. Even if the word “sale” is all around you, do not buy on impulse. Go away for a couple of days and see if that want is still as strong. You will be surprised at how quickly the emotion of wanting to have something goes away.

Marketers are smart people when it comes to understanding what drives our spending behaviour. When you read 50% off sale, you automatically think bargain and you feel as though you don't want

to miss out on a bargain. You need to be able to ask yourself if you really need that item.

Don't eat the marshmallow. This will make more sense to you as you read on in this chapter.

Understanding the money habits of your child's generation

It is more than likely that your child belongs to Generation Z. Members of Generation Z were born between 1995 and 2010 and are now aged between 2-17 years of age. This generation is tech savvy as they don't know life without the internet. It is estimated that this generation will live with their parents longer and receive family help when it comes to paying the bills.

In early 2012, Visa Australia commissioned a research paper to look at this generation's attitude towards money. According to the study, the younger Gen Zers are still reliant on pocket money as their main source of income.

The study showed that Gen Zers are spenders more than savers. The main items Gen Z spend their money on is food and drink; going out with friends, clothes and music. More than seven out of ten of this generation spend their money on food and drink and going out with friends.

According to the survey, the main spending items for Gen Z were:

- Food and drink (including school canteen)
- Going out with friends

Don't Eat The Marshmallow

- Clothes
- Music
- Apps
- Sport
- Facebook credits or social media credits

By understanding what this generation (by that, I mean your kids) are spending their money on will help you understand how to connect your money lessons to what is important to them.

For example, the main spending item on the list above is buying food at the school canteen. Most kids would get some sort of allowance from their parents to do this. As you can see the school canteen does quite well off your kid's allowance.

The next time your kid asks about wanting you to buy the next "hot" item, sit down and do the exercise below with them.

Exercise: Work out how much it costs a year if your child buys a can of soft drink a day. There are approximately 200 school days in a year. That's 200 cans of soft drink at \$3 a pop which costs your child \$600 a year. If you have a can of soft drink close by, get them to open it up as you do the exercise. You will be surprised what they remember the next time they open a can of soft drink at school.

This is an opportunity to teach your kids a lesson in savings. We will come back to this example when we start to talk about how to teach your kids to save in Chapter 6.

The difference between needs, wants and wishes

As adults we understand that there is a difference between the things we need (food), the things we want (fine jewellery) and the things we wish for (an all-expenses paid trip around the world).

Do our kids understand the difference? To find out, I had the conversation with my kids, asking them what they need, want and what they would wish for. Here are the responses I received:

Daughter (seven- years-old):

Need – vegetables

Want – chocolate

Wish - Care Bears Magic Guessing Game – Surprise Bear

Son (11-years-old):

Need – food (preference is Japanese thanks to our two years of living in Asia)

Want – PlayStation 3

Wish - iPhone

When I asked them what they would like to buy first, both answered with their want.

Exercise: Have this same conversation with your kids and compare notes with mine above.

If your kids understand the difference then they are ahead of the game – Congratulations!

If they were as confused as my kids, then don't panic. It should come as no surprise that our kids don't understand that there is a difference between the things they need, the things they want and the things they wish for. This is a basic life skill that needs to be taught at home by you, and it's never too early to start teaching.

Teach your kids the difference between things they want and things they need. Try and teach them to buy the things they need first. If you want to teach your kids not to spend money on items they don't need, then give up something of your own that they know you will miss. If you can think of an example that your kids can relate to, it will have a longer lasting impact (refer back to the list of items that Gen Zers spend their money on).

Example: If your kids saw you pack a healthy lunch to take to work every day they might do the same. You could even make the sandwiches together and get them to choose what goes in them. In modelling your behaviour, your kids would spend less at the school canteen, but more importantly they will learn the value of eating healthy.

This can also be used as an introduction to teaching your kids how to save. The bonus learning here is your kids will start to understand that they need to save extra to buy the things they

want. Help them understand how long this will take and celebrate with them when they achieve their savings goal.

How do I teach my kids the art of self-control?

One of the hardest things to do is to teach your kids to delay immediate gratification. At a young age your kids will not appreciate what it means to delay that urge to satisfy their want immediately. The example below illustrates this point in a fun and easy way:

Example: The Stanford Marshmallow Test

In the late 1960s, psychologist, Walter Mischel, conducted an experiment on a group of four-year-old kids. He took each kid and put them in a room all by themselves with a marshmallow. The professor explained to the child that he would return to the room in fifteen minutes. If the marshmallow was still there (uneaten) when he returned, he would reward the child with another one. So, what happened when the professor left the room? Two out of three kids ate the marshmallow. Some lasted as little as five-seconds while some lasted up to fourteen and a half minutes. When Mischel followed up on the children as adults, he discovered that those children who didn't eat their marshmallows that day had done better at school and were generally more successful.

Video of the footage can be found at:

http://www.ted.com/talks/joachim_de_posada_says_don_t_eat_the_marshmallow_yet.html

Who says teaching your kids about money cannot be fun and easy!

Don't be overwhelmed if your kids fail the marshmallow test. Our kids live in a society where they can get the things they want with the touch of a finger or the click of a mouse. Your kids can download from iTunes their favourite app (usually for free) or their favourite song for \$1.99. Thanks to technology, our kids are part of a generation that has access to the world.

What to teach your kids about where money goes.

How do you teach your kids what's important?

Our kids are being bombarded with advertising from day one. What is one of the first symbols your kids will recognise? When you are driving around in your car what sign will they recognise the most? The answer is the golden arches of McDonald's.

My seven-year-old daughter is very good at letting us know what she wants. It's not her fault either, as our kids are exposed to targeted marketing at a young age. When you were growing up there would have been an annual must have. These days there are monthly launches of hot products that have become "must haves."

Your child's generation (Z) are highly tech savvy. Research shows that the overall majority of Gen Zers have an email address, mobile phone, Facebook account, iPod or MP3 player and a laptop. Nearly one-quarter of the Gen Zers own an iPad or other tablet. There is pressure to keep up with these wants, pressure that is felt by you, the parent. It is not good enough to just have an Xbox and

an iPod. You also “must have” a Wii, PlayStation 3 and an iPad. The first question my 11- year-old son (and his friends) ask when we go somewhere is, “Can I get wireless there?”

Our children today are getting bombarded with targeted marketing everywhere they look, whether it be online, TV, or outdoor. We need to make sure they are able to cope with not falling into the pattern of buying on impulse.

Teach your kids not to buy on impulse.

Remember that your kids will model your behaviour - do not buy on impulse in front of your kids. Teach them to go away for a couple of days and see if they still feel as strongly about buying that “must have.” If they still feel strongly about the item, work out how long it will take to save for the item. Turn it into a savings goal for them. Find a picture of the item and stick it on their bedroom cupboard.

You can also come up with your own ideas to do this, for example, a friend of mine came up with the idea to create a “dream board”, where your kids could put pictures of goals and items they would like to achieve by having a mounted pin board in their room. This will bring an element of fun to their experience as well as bring up the emotion attached to making that savings goal happen.

Teach your kids to buy for needs before wants

It is difficult for kids to understand the difference between what they need and what they want. This is because the younger the child, the shorter the time frame we are dealing with. For example, a seven-year-old will not appreciate that they need a good education,

potentially a university degree or a trade. A 15-year-old will have a better appreciation of this because they will have a pretty good idea of what they want to do when they leave school.

Hint: Let your kids decide what they want to spend their money on. If they buy something cheap and it doesn't last, then they will understand this because they can relate it back to a decision they made.

Recommendation:

The second money lesson to teach your kids is to make them understand where money goes and the role it will play in their life. This is a lesson which can be forgotten as most people will concentrate on giving their kids a weekly allowance and not teaching them what to do with this allowance. Teaching them what to do with this allowance is just as important.

To successfully teach your kids the right money attitudes start with the following:

- Do not buy on impulse (don't eat the marshmallow).
- There are needs, wants and then wishes.

Try and avoid these attitudes:

- Spending all your money on wants.
- Giving in to your child's wants.

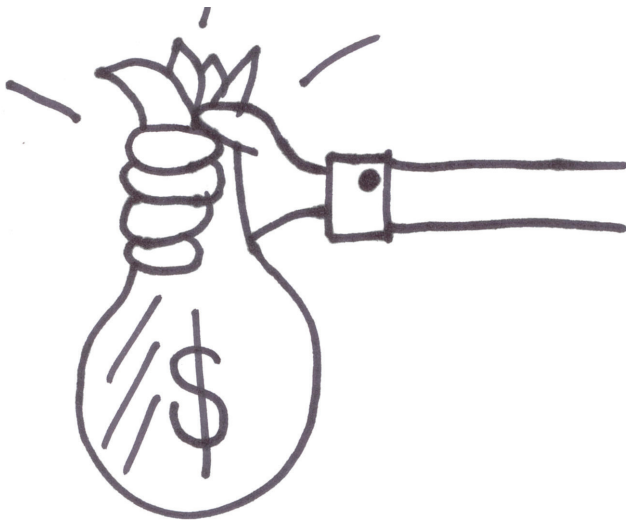
Remember these steps to make the learning fun and easy:

1. See if your kids pass the marshmallow test.

Don't Eat The Marshmallow

2. Ask your kids to draw what they need, what they want, and what they wish for.
3. Give up a want (something your kids know you really want).

How to teach your kids to save



How to teach your kids to save

The traditional way to teach people to save is by setting a budget. In my 15 years as a finance professional I have seen plenty of budgets fail. Heck, I have even set personal budgets that have failed.

Why budgets fail

Budgets are targets that we set for ourselves. If you don't believe that you can achieve these targets then you will fail. The most common problem with budgets is setting unrealistic goals. Setting an unrealistic financial goal is like trying to enter a 10-kilometer run one week before the event and expecting to finish in a decent time without any prior training. Like running, you need to build up your financial stamina week by week until you eventually get to your target.

If you don't have an emotional or personal connection with the end goal then it will be harder to achieve. If it doesn't mean anything to you then you will not push yourself to achieve it.

Do you sit down as a couple and talk about what three things you would like to do (or buy) in the next twelve months?

Exercise: Write down the three things you would like to do in the next twelve months. Ask your partner to do the same. Sit down as a couple and talk about why these three things are important to you. Work out how much each thing will cost and agree to do at least one thing from each partner's list. If you are unable to do two things, then agree on which thing is most important for you as a couple and then take turns in who gets priority each year.

My Story:

Having a finance background meant I was the money manager for the house. My wife would trust me with this chore because I worked with numbers every day and she could not stand looking at numbers. With me setting the household budget on my own it was difficult to get my wife to come along for the ride. We would both get upset when we failed to save “enough” money and we both felt the pressure.

One year I decided to do the exercise above with my wife. I refused to use the word budget. Instead I asked what three things she wanted to do in the next twelve months. I will be perfectly honest and say that I was surprised with my wife's list. It was quite a powerful exercise as she explained to me why those three things were important to her. We agreed to save for her number one item that year. Not only did we manage to save for that item, but we also managed to save for her number two and number three items.

The next year it was my turn to prioritize – alas we achieved the same result. The happiness attached to achieving these goals was incredible due to the emotional connection we both had.

Budgets don't work if we can't connect emotionally with the end goal. Teach your kids the power of saving for something they really value. Once they begin work they will understand the power of setting financial goals and the importance of achieving them.

What is your attitude to saving?

Parents need to lead by example. Your attitude to spending will influence whether your child becomes a spender or a saver. Refer back to the ATM conversation I had with my daughter (refer to Chapter 4). My daughter observed that whenever we needed money we would go the ATM machine. I expanded on that conversation by explaining that every time we went to the ATM machine there was money in there because Mum and Dad saved the money they got paid when they work.

Exercise: Think back to your childhood. Did you save your allowance to buy the things you wanted or did your parents buy them for you? Did you save for future needs like a car or university education?

Understanding the saving habits of your child's generation

As discussed in Chapter 5, it is more than likely that your child is a member of Generation Z (born between 1995 and 2010).

Visa Australia commissioned a research paper to look at this generation's attitude towards finance. According to the study,

most Gen Zers are not big savers with only 29% having \$1000 or more in their bank account. Given the majority of Gen Zers are still at school, their main source of income is pocket money or an allowance from their parents. Most Australian kids are getting less than \$10 a week. However, age makes a big difference to the amount of pocket money they receive with older Gen Zers getting larger allowances.

The study showed that Gen Zers are spenders more than savers. Most Australian Gen Zers save less than half their pocket money each week, with one in five usually spending it all.

The research above shows that our kids need to be taught how to save. Saving is an attitude that needs to be explained to kids at an early age.

How to explain “saving” to your kids

When I tried this with my kids, I found the easiest way was to ask them to explain what saving meant to them. To make it fun, I asked them to do this by drawing a picture.

My 11-year-old son drew the picture at the start of this chapter.

My son explained to me that you knew you were saving money when you could see a pile of it. It would be getting bigger every week, or every time you got paid. He continued to explain to me that once you decided to spend some of your money that the pile would get smaller. The conversation continued like this:

Son: Will I learn more about money when I get older?

Don't Eat The Marshmallow

Me: What would you like to know? You know where money comes from right?

Son: Yes it comes from working. Once I start working what do I do with my money? How much money will I have?

Me: Once you start working you can save up to buy something? What would you save up for?

Son: I would save up for a PlayStation 3

Me: What about when you are a bit older. How are you going to get to work? Won't you need a car to get to work?

Son: Yes of course. I can use the pocket money I get every week to save for a PlayStation 3. I don't need a car until I am older.

Dad, I want to buy a Care Bear with my pocket money

My seven-year-old daughter drew the picture on the next page.

The day before she drew this picture we were having a conversation around needs, wants and wishes. She told me her wish was to buy a Care Bears Magic Guessing Game – Surprise Bear with her pocket money. We looked up how much this Care Bear costs so that she could work out how long it would take for her to save.

Daughter: \$70 – is that a lot of money?

Me: How much pocket money do you get a week?

Daughter: \$7 – every week

Me: Let's count the seven times table and see how long it takes. Seven

Don't Eat The Marshmallow



times two weeks is fourteen dollars (and so forth).

Daughter: (counting my fingers) that's ten. That means it would take ten weeks for me to pay for my Care Bear. That sounds like a long time.

We left the conversation at that, but it obviously had an impact on my daughter for her to draw this picture when I asked her to explain *savings* to me. I was so proud of her effort when I saw the caption, "Ten weeks to buy." She had taken the first step in beginning to understand the value of money. It would take her ten weeks of pocket money to pay for her Care Bear. My daughter had visualised her savings goal and she was now on her way.

The valuable lesson here was to help my daughter work out how long it would take for her to pay for her *want*. By looking up the price of the Care Bear straight away, we were able to give my daughter some understanding of the value of her want. The conversation around needs and wants would be had once the ten week deadline got closer (refer to later in this chapter).

Kids learn and remember best through pictures

Stick a picture of what your child is saving for in their room so that they see it on a regular basis. This will help them see their savings goal.

Alternatively, if your kid is using a jar to collect their pocket money in, stick a picture of their savings goal on the jar so that they see it every time they save some of their allowance. It will also make them think twice when they go to take some money out to spend. It will make them think that their goal will be further away if they

spend money before-hand. Their pile of money will get smaller as my son would say.

Attach some emotion to saving

Can you think of something you feel strongly about, whether it is a cause or a family member or friend. Whenever your friend needs help you are there for them. Whenever your cause has an event or requires someone to volunteer you give them your time. You act this way because you feel strongly about the something or someone you are supporting. You have strong emotions for that cause or family member.

The same principle applies to saving. If you think back to my savings story, once I involved my wife in the conversation and asked her what was important to her we were able to save successfully. We attached emotion to our savings goal by agreeing on what was important to us as a couple.

You can also apply this to a family situation and involve your kids in the emotion as well. If you feel strongly about wanting to experience a sunset at Uluru then you will want to save up the money to take your family there. Even better, ask your wife and kids if they would like to see Uluru. If they are emotionally attached to the idea then they will want to help save for that trip as well. The bonus is that your kids will experience one of the most famous landmarks in Australia, a landmark they would have discussed at school.

Exercise: Share a family goal with your kids. A good example would be saving for a family holiday that involves plenty of fun for the whole family (think beaches and relaxation for the parents and theme parks for the kids). It is important to remember to speak in their language when doing this.

The exercise above is also important in that your kids will see you saving towards a goal that is important to you. Always remember that as a parent you are the number one role model for your kids. By displaying a positive attitude towards saving, your kids will model that behaviour.

It is also important to consider what the family is saving for. The examples above are about experiences that would promote learning. How can you encourage this attitude with your kids?

What do I say to my kids when they want something?

As discussed in the previous chapter, our kids need to be educated on buying for needs before wants. The more conversations you have with your kids the more questions they will ask. This is a good thing as your kids will try to solve the puzzle of saving. If they are not asking questions I would suggest you start to prompt them.

At this point I would like to refer back to the Care Bear conversation I had with my daughter. By way of a recap, my daughter had discovered that she would need to save ten weeks of her pocket money to be able to buy the Care Bear toy that she wanted. It will be interesting to see if her desire to buy the Care Bear will still be there after ten weeks. Maybe it will be replaced by another want. That's not a bad thing as it will teach her that by saving \$70 she has a choice as to what she could do with that money.

The power of savings

The power of money is that it provides choice. In this book you learn what attitudes to teach your kids from a young age that will make these choices easier to make. You will teach your kids what's important to make the right choices. For you as a parent, the power of having a pile of money saved is that it provides you with peace of mind.

For your child, the ability to save is a means of learning the skill of self-control. The ability to save will help your kids understand the dangers of debt (think personal loans, in particular credit card debt). It will teach them the discipline of repaying debt (think mortgage).

Recommendation:

The third money lesson to teach your kids is *how to save*.

To successfully teach your kids the right money attitudes start with the following:

- Saving must be connected to something we feel strongly about.
- The power of saving money is that it gives you choice.

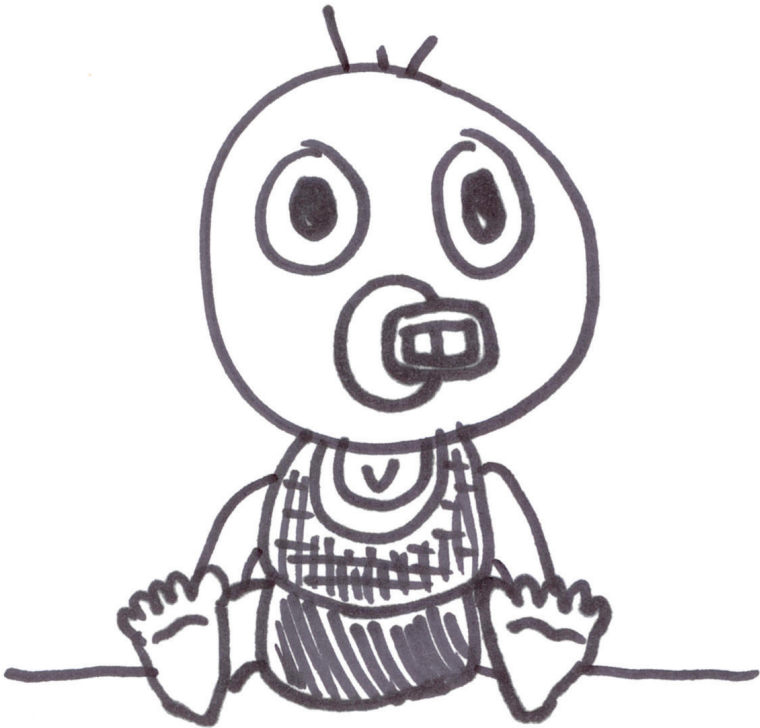
Try and avoid these attitudes:

- Not having a common savings goal with your partner.
- Not sharing your savings goals with your kids.

Remember these steps to make the learning fun and easy:

1. Get your kids to draw a picture of what saving money means to them.
2. Stick a picture on the wall of the things your kids are saving for.
3. Save for a family goal, e.g. holiday. Attach feelings of emotion to saving.

How to teach your kids to give



Encourage your kids to give to others (and themselves) from a young age. Encourage them to give to something they can connect to. This also makes the learning fun and memorable.

Understanding your attitude towards giving

What is your first memory of giving? When I think back to my childhood, I remember the Channel 10 Christmas Appeal telethon which was held every year in Adelaide. I remember watching my parents ring in their donations and keeping an eye on the tally board to see what total monies were being raised. I remember the celebrations on TV when last year's total was passed. The monies raised were used to support the Children's Research Foundation in South Australia. As a result, giving to causes that supported children has always resonated with me.

Do you have a charity or number of organisations that you give money to? What is your connection with these causes?

How do I teach my kids to give?

There are two parts to this learning – how to give to others and how to give to yourself. Firstly, you should teach your kids how to give to others. Share your childhood giving stories with your kids. Share with them why you gave to these causes and why there was a connection. This will help them with making their own connections. Children will normally want to help other children as they tend to think more about what they have today.

How to give to others

One night (on the spur of the moment) I asked my kids to empty out their money boxes on their beds. I started with my seven-year-old daughter who had just over \$20 in notes and coins. She was saving the coins in a smaller money box while the notes went in the bigger money box. I asked her how much of the money that was laid out on her bed would she like to give to someone to help them. She grabbed a \$5 note gave it to me without hesitation. She was quite happy that she would be giving her pocket money to help someone, but she didn't know how she could do it.

Me: Who would you like to give your money to?

Daughter: I don't know. Is there someone I can give my money to?

Me: Is there someone in particular you would like to help?

Daughter: I would like to give money to small babies who need help. I like small babies because they have chubby cheeks. I want to help babies who are really sick get better.

Me: That's a great idea. We can go on the internet later and look up people that help sick babies.

I wanted to get my daughter thinking about how she would set aside money to give to her cause.

Me: How much would you like to give? Do you want to give something every week?

Daughter: Why don't I use the coins that I save up? That way I can still save my notes for my Care Bear.

Don't Eat The Marshmallow

Next I went to my son's bedroom. He had a bit over \$40 saved. He saved all his money in the one money box. He liked having it all in one spot so that he could see his savings grow. He had set aside \$15 to give. He wanted to help other kids he said, but like my daughter he was not sure how to do it.

I thought it was a good opportunity to show my son how much pocket money he would receive in one year. We worked out \$11 a week for 52 weeks would give my son \$572.

Son: Wow, that's pretty good isn't it.

I could see him picturing that PlayStation 3.

Son: If I win the drawing competition (first prize was a PlayStation 3) then I will have most of this saved.

Me: How much of this would you like to give to help kids?

Son: I reckon I should give \$50. I would like to give it in bigger amounts, maybe every four months.

It just happened that this was 10% of his annual allowance. This was perfect.

Me: That's fantastic. I'm sure you will make a difference to someone's life with that.

Let your kids choose who they want to help

My son wanted to help a family; in particular he wanted to help parents who needed money to help send their kids to school.

Kiva is a non-profit organization with a mission to connect people

through lending to alleviate poverty. Leveraging the internet and a worldwide network of microfinance institutions, Kiva lets individuals lend as little as \$25 to help create opportunity around the world. (Source: www.kiva.org)

The concept that Kiva operates by is also a great way to teach your kids about debt, and how important it is to repay any money that you owe. In the example above, my son wanted to give \$25 to a borrower. When I explained to my son that the borrower will eventually repay him the \$25 back he was confused.

Son: But they don't have to pay me back. I want to give them the money. I want to help them.

Me: That's how this website (Kiva) works. There are people all over the world that need help to get started with their ideas. The people that receive our money are borrowing it from us. Once their idea gets started and they make enough money to pay for their family's needs they can pay back the money they borrowed from us.

My son checks to see how much they have borrowed. I can tell by the silence that he is trying to put a value on what that amount is.

Son: That sounds like a lot of money. Will they be able to repay?

Me: The most important thing is that you repay as much as you can every week. First, you would make sure that there is food for your family and that the kids have everything they need to go to school. Then if there is any money left over you would start to repay the loan.

Son: What happens when they repay the loan?

Me: Maybe they can buy some cake and celebrate with their family.

Your money can be used to give others a start in life. It can be used to give others happiness.

Another way to teach your kids to give to others is to teach them the importance of volunteering. Volunteering as a family is a fun and easy way to teach your kids the importance of giving to others.

Example: When our kids were old enough, my wife and I decided to spend a Christmas volunteering at the local Christmas Day lunch. The lunch is organised for people who would otherwise celebrate Christmas on their own. The day involved setting up for the day, serving lunch as well as sitting down with the people and sharing some Christmas cheer amongst those in the room. It was a very humbling experience and our kids were curious as to why people would be on their own for Christmas. We discussed some of the reasons why this would happen and they left the lunch with an experience they will always remember. They knew they had done something special that day and it introduced them to the power of giving.

As a family we have always taught our kids the importance of giving during Christmas. At this time of the year, kids tend to focus a lot on what their *wants* are. They have their *wish-lists* ready with what presents they want to receive. To balance this out and provide them with some perspective, we think of a way to give to others. As our kids have aged we have asked them to come up with ways of giving. They have come to enjoy the challenge of thinking up new and fun ways to give during Christmas. What do you do as a family to give your kids this experience?

How to give to yourself - what to do with money gifts

The Oxford Dictionary defines a gift as, “a thing given willingly to someone without payment; a present.” Gifts are given to show appreciation for help received, or to honour an occasion, for example a birthday. Gifts are special and should be honoured accordingly.

Money received as a gift should be used as a gift. You can also *gift* yourself. Examples of gifting yourself would be experiences that give an opportunity to explore your likes/your passions. We learn from experiences and these should also be treated as gifts.

What is your money attitude - what do you do with money gifts you receive?

Can you remember back to your childhood? What did your parents do with the money gifts you received on special occasions? During my childhood, money was rarely received as a gift. The trend back then was to buy the things that we most wanted. The parents would talk to each other and share our secret wants with each other. Any money that was received was put straight into our bank account (not to be seen until we were 16).

Now think about your current day habits. What do you do with money gifts you receive? Do you put it straight in your bank account or do you spend it on yourself? I like to use the money gifts I receive to buy myself an experience. I love learning so I will use money gifts to pay for a new learning. I like to broaden my depth of learning and challenge myself. I get bored if I am not learning.

This generation certainly receive more money gifts during childhood than my generation received. It is important to think about what to do with these money gifts. What do you do with the money gifts your children receive? Do you put the money into a separate bank account in your child's name? Do you tell them how much money they have?

My Story: Use gift money to buy your children a gift

When our son was nine-years-old, he received a Christmas gift from his grandparents of \$200 cash. Finally, he had enough money to buy that elusive iPod. He loved writing stories and he would have a collection of over 100 books that he had made. It was a dream of his at the time to publish one of his stories and become an author. My wife and I wanted him to use the Christmas gift money to pursue his passion – to publish one of his stories.

My wife got in contact with a Children's Publishing Company and within a week our son was an author. We ordered enough copies so that he could give them to family and close friends. Once the word spread we had to order some extra copies, which included putting one in his school library. Just the other day a student from a lower grade level came up to him and acknowledged his great work as an author (he had read our son's book earlier that day in the library). This experience was truly a gift for our nine-year-old son.

I have also learnt to lead by example by asking myself the question: "Am I spending money I have received as a gift on experiences for myself and/or my family?"

Recommendation:

The fourth money lesson to teach your kids is the gift of giving. Teach your kids the power of giving from a young age. It will teach them to lead a meaningful life.

To successfully teach your kids the right money attitudes start with the following:

- Teaching your kids to give to others.
- Spending gift money on experiences.

Try and avoid these attitudes:

- Thinking you are too busy to volunteer your time.
- Spending gift money on wants.

Remember these steps to make the learning fun and easy:

1. Ask your kids who they would like to give their money to (let them make the decision).
2. Match their contributions dollar for dollar.
3. Give to a cause/volunteer as a family.

Don't Eat The Marshmallow

Teaching your kids about debt and how to avoid it



It is important that you teach your kids from a young age how to avoid debt. In the previous chapter you learnt how to teach your kids to save. The attitude of saving plays a pivotal role in teaching our kids about how to avoid debt.

Understanding your attitude towards debt

You are in debt when you spend money you don't have. By doing this, you are making a commitment to the person (who lent you the money) that you will be able to pay them back within the time allowed. You get yourself into trouble when you make a commitment or promise that you can't keep. You can get yourself into even more trouble when you borrow more money to pay off another loan.

What is your attitude to debt?

- Do you have any personal loans? – include any of those no interest for two years deals that are advertised for appliances.
- Do you have a car loan?
- Do you have more than one credit card?
- Do you pay your monthly credit card repayment in full?
- Do you make extra repayments on your mortgage?

What are the reasons why we go into debt? There are a few reasons I have seen through my experience. Firstly, it is easy to do so. You can apply for a credit card online and get it approved instantly. How difficult is it to sign up to a mobile phone plan?

Secondly, we think of the cost of debt as the amount we originally borrowed. We do not consider the cost of repaying the loan over the life of the loan. For example, if your interest repayment on your mortgage is \$1,000 per month and the life of your loan is thirty years, the total interest cost for your loan is \$12,000 per year (\$360,000 over 30 years). Now, some of you might pay your home loan off sooner, let's say after 15 years – but this still leaves an interest cost of \$180,000. It is important to think of the total cost of your loan before committing to it.

Another example is when we apply for a credit card. If you apply for a credit card you should work out what the annual cost is including the interest cost. Most credit cards charge an interest rate of 20%. So if your credit card limit is \$5,000 you could be paying an extra \$1,000 in interest per year. The next time you get your credit card statement; check the details on the first page as banks are now required to provide details of how long it will take to pay off your credit card balance if you only pay the minimum monthly charge.

Thirdly, we are not afraid to spend more than we earn. Do you celebrate when your bank sends you a letter letting you know that you can increase your credit card limit? Have you borrowed more money to repay an existing debt (including family loans)? Does this not make the problem bigger?

When it comes to your attitude to debt, you also need to be aware of your appetite for risk. If you are not afraid to take a risk, you will be more inclined to borrow money. Your partner will also have their own risk profile which may be different to yours. For

example, they may be more careful and would not be comfortable in taking risks. They would not be comfortable borrowing money (especially large amounts of it). It is important to be aware of both of your attitudes toward risk (and debt) as you want to teach your kids the right attitudes from early on. They may get confused if you are showing them one attitude (not afraid to take a risk) at the same time as your partner's (not wanting to take a risk). So what should you be teaching your kids on this subject?

You should teach your kids what debt is

A dear Italian friend of mine told me a personal story of how her father would lend money to his neighbour. The first time the neighbour asked to borrow money the father said, "Sure, go to the bedroom open the top drawer and look under the blanket. You can take what is there. When you want to repay the loan, put it back in the same spot as where you got it from." The neighbour repaid the loan over the next couple of weeks.

A couple of months passed and the neighbour returned to ask for another loan. The father pointed him to the bedroom and the top drawer again, with the same message. This time the neighbour was unable to repay the loan in full before he needed to borrow some more. The father knew that the full amount was not returned, but he still lent what was available with the same message, "You can take what is there."

This cycle continued for a number of months until one day there was no money left in the top drawer. When the neighbour came

looking to top up his loan amount he was surprised to find no money in the top drawer. He went back out to the father, “You said I could borrow some more money.” The father corrected him and said, “I said you could borrow what was in the top drawer. If you have not repaid your previous loans then you cannot borrow any more.” The neighbour left with no money and started to work out how quickly he could repay the loan.

I love this story as it is a simple example of someone learning of the consequences of when they spend more than they earn. You can also set up a similar arrangement with your child where they ask to borrow money from you. If you teach them to repay the amount in full before they ask for another loan they will begin to understand what it means to spend money they don't have. They will begin to dislike the feeling of owing someone money.

They will also develop an appetite to avoid putting themselves in this situation unless it is necessary.

Just imagine if the neighbour in the example received a letter from their bank letting them know that they could increase their credit card limit. Given the lesson they learnt they would be ringing the bank to ask, “Why are you lending me more money when I have not repaid my other loans to you?”

What happens if you don't teach your kids how to avoid debt?

According to the 2011 Galaxy Australian Debt Study, young adults are more stressed about repaying debt than any other generation. People aged between 24 and 35 topped the debt anxiety list, with

nine in ten concerned about making debt repayments.

Big purchases such as a first home were largely to blame for the stress, with 55 per cent of people in this age group nominating rising rents and mortgage repayments as their biggest financial concern, according to the Galaxy Australian Debt Study.

The survey also found 15 per cent of people in this age group were likely to apply for more credit over the next six months, compared with 9 per cent in the remainder of the population. This is where it can all go wrong.

The bi-annual Galaxy survey reveals Australians are facing unprecedented levels of debt stress as 82 per cent of the population worry about meeting debt repayments. The research also suggested one in five Australians were struggling to pay off their credit card commitments.

If you act now, your kids will not become a statistic in future Galaxy Australian Debt Studies.

Debt comes in many forms and can impact your child at an early age. Sometimes you may not even realise they are being exposed to it.

Examples of debt that your kids may be exposed to from a young age:

Mobile phones

Does your child have a mobile phone that is on a plan? If so, your child (or you if you are making the payments on their behalf) is making a commitment to the phone company that you will be able

to repay the monthly amounts over the next two years.

Example: If you enter into a two-year phone plan which costs \$40 a month, you are making a commitment that you can repay a total of \$960 (24 months x \$40 a month).

If you are paying for your child's mobile phone plan, think about what attitude it might be teaching them about the cost of living?

If you are thinking about getting your kids a mobile phone, do it on a prepaid arrangement. This way they get to understand how long the credit lasts and how to adjust their usage. Think about whether some portion of their weekly allowance should be used to pay for their usage. Once they see that their savings amount is getting smaller due to their mobile phone usage they might see it as a want and not a need.

Fact: Did you know that 76% of 10 through 17-year-olds own mobile phones and more than half of them are paying for their own phone calls (Source: www.barefootinvestor.com).

Examples of debt that your kids are exposed to via your behaviours

Credit Cards

Do your kids understand how credit cards work? If not, they might think that you are getting goods without paying for them (they don't see an exchange of cash at the teller). What attitude might this teach them about the cost of living?

Do you pay the full balance off your credit card every month?

Fact: One fifth of young people with credit cards hardly ever or never pay the full balance every month

(Source: *www.barefootinvestor.com*).

Internet payments

Have your kids seen you download music using iTunes? Do they understand how this works? If not, they might be thinking that you are getting music for free.

Fact: 27% of young people have purchased goods on the internet and more than half used a credit card to make the purchase (Source: *www.barefootinvestor.com*).

The best way to handle internet payments is to use a Debit card. These cards are different to credit cards in that the cash must be transferred onto the card before it can be used. This is a great way to teach your kids that cash is actually required even though you are not physically exchanging it with the person from whom you are buying the goods. Credit cards should not be given out to people who have not successfully mastered a budget.

Recommendation:

Your kids are exposed to debt from a young age. Being aware of this means that you can teach them what it means and how to avoid it.

To successfully teach your kids the right money attitudes start with the following:

- Don't spend more than you earn.
- Don't borrow money to buy things you want.

Try and avoid these attitudes:

- Not paying off your credit card balance in full each month.
- Borrowing money to pay off a loan (including an outstanding credit card balance).

Remember these steps to make the learning fun and easy:

1. Let your kids borrow money from you as their first lesson in repaying a loan.
2. Make it visual so that they know how much they have repaid (refer back to the story about the Italian neighbour).

Don't Eat The Marshmallow

Encouraging your kids to follow their passion



Like all the attitudes that you have read about in this book, it is important to remember that as a parent, your behaviour is passed on to your kids. Are you doing what you love or do you resent your work?

The book, *How much is enough?* by Arun Abey and Andrew Ford, explores the role parents can play in helping their kids pursue their passion. The book talks about sharing your passions as a starting point. The following extract from the book sums this up best, “*We can start to help our children by cultivating a love of learning, independently of exams, grades and prizes. We want to help our children discover what moves and inspires them.*”

Understanding your passion and sharing it with your kids

Can you remember the moments you were most happy as a kid? Can you remember what you were doing during these moments of happiness? Is there a common theme when you think back to the *happy times* of your childhood? The more you start to explore by asking yourself these questions the more you will uncover what your passion is.

Example: My wife has been making Halloween costumes for the last four years. She loves bringing to life our kids' requests for their favourite characters. Last year my six-year-old daughter asked to go as Edward Scissor Hands. Most mums would disregard that request, but my wife took it as a creative challenge. To make it a safe costume she spent hours and hours reproducing the scissor hands out of foam. The final costume looked amazing and our daughter won first prize for her age group. Not wanting

to settle at one costume, my wife made a Dracula costume for my son who came in at second prize for his age group.

The next year my son wanted to go as the *Predator* from the Arnold Schwarzenegger movies. This costume had to be built from scratch with countless hours of sewing, cutting hose pipes, spray painting, moulding and even fibreglass coating. The final product was truly amazing and my son was thrilled. He was disappointed to have come in second place. When I asked my wife if she was disappointed she quickly said, “No, not really. I don’t do it for the prizes. I do it because I love to see the reactions of people when they see my creativity.”

My wife has taken her love of horror movies and combined it with her creativity to produce some amazing Halloween costumes. She has started to get some enquiries from people looking for her to create some costumes. My wife has shown my kids what can be achieved with passion and rising to a challenge

Do you have similar examples of working in an area you are passionate about? Have you openly shared this passion with your kids?

Some of you may be following your passion every day. If you are, then I congratulate you. You are setting a wonderful example for your children.

Let your kids know what it is you love and why.

My Story

In my first year of high school, I remember the teacher going around the class asking everyone what they wanted to be. As a 12-year-old I had never thought about my future much past the fact that I loved playing cricket. I was a backyard tragic who would make his friends play every day of the summer holidays. I would keep a book of averages and update it daily. So when it was my turn to respond to my teacher I said emphatically, “I want to play cricket for Australia!” The teacher paused for a moment. Before she could say something someone in the class responded “He is a pretty good batsman.”

I went home that night and told my parents what we had discussed at school. Their response was pretty measured. “It’s good to pick a sport as well as a job. That way you have two things.” Now I was really confused.

A couple of years passed before I realised I could combine sport and work. I loved various sports (cricket, tennis and soccer) and I also loved writing. Wow, I could become a sports journalist. My friend and I decided to write a letter to Les Murray a well-known soccer journalist in Australia to ask him where to start. To his credit, Les replied to our letter and gave us some useful tips on where to start. The first thing we had to do was to start writing for our school newspaper.

I took Les’s advice and enrolled to write for the school newsletter. Our first assignment was to cover the annual school fete. I remember thinking to myself “that doesn’t sound too exciting” and I pulled

out. I didn't appreciate that it was a starting point and not the end goal. That was the end of my adventure as a journalist.

In the meantime, my parents had organised our accountant to take me on for two weeks work experience during the school holidays. I remember visiting clients and having plenty of meetings. Our accountant had one of the first mobile phones (the one with a carry around battery that was nearly as big as a car battery) and I would carry this around to all our meetings. I also discovered the taste of coffee during these two weeks. Plenty of meetings meant plenty of coffees. Most importantly, I was excited about the idea of helping people manage their money. It was these experiences that lead me to pursue a career in accounting/finance.

I finished university during the recession of 1992. I had wanted to start with a practice as that would give me the opportunity to deal with people. My choices for work were narrowed down to one. It would lead me on a slightly different path, but it allowed me to teach financial literacy to non-financial managers.

Over the last fifteen years I have helped many people understand money in a company environment. My work has taken me to some amazing places. I have been able to share these cultural experiences with my wife and son (my daughter came along near the end of our overseas journey).

I have also experienced times of doubt where I was questioning the meaning of my work. When this happens you should not fight these feelings, but understand why. I believe that our values are shaped with each new experience. This is why it's important to expose your kids to new experiences from a young age. It is these

experiences and my values that have brought me to this page.

I am now combining my passion to help people through my writing. In my spare time I get to play soccer with my son and tennis with my daughter. I am doing what I love. More importantly my kids know that I am doing what I love. They get to see my excitement every day. It motivates them to think about what they love and what they want to do.

My son's passion is writing stories and doing illustrations for them. He has kept a close eye on me during the writing of this book and we have talked often about what I have done to achieve this. His illustrations have been included in this book and provide a wonderful insight into what money means to him.

What I have learnt from my story

Your kids will find your enthusiasm infectious. If they see your passion, if they experience your emotion, they will want to experience the same. You should not expect kids to follow your path, but you should encourage them to explore what they love. To help them with this you should provide them with opportunities to learn, opportunities to see new things and have many experiences.

How to make the learning fun and easy

From a young age, kids make connections with stories of other kids of the same age. The power of this is that they can see what is possible if they follow in another child's footsteps. The next story

is a wonderful example of how a nine-year-old boy followed his passion. It is important to take note of the support he received from his father.

Caine's Arcade - How a nine-year-old boy started with an idea and raised over \$200,000.

This is one of the most inspirational stories you will see. I watched it with my wife and kids and we all shared tears of joy. I recommend you watch the video with your kids as well.

The passage below is an extract taken from the Caine's Arcade website (www.cainesarcade.com)

Caine's Arcade is a short film about a nine-year-old boy's cardboard arcade, located in his dad's used auto parts store in East LA.

At the age of nine, Caine Monroy spent his summer vacation building an elaborate DIY cardboard arcade in his dad's used auto parts store in East Los Angeles.

Caine dreamed of the day he would have lots of customers visit his arcade, and he spent months preparing everything, perfecting the game design, making displays for the prizes, designing elaborate security systems, and hand labelling paper-lunch-gift-bags. However, his dad's auto parts store (located in an industrial part of Boyle Heights) receives very little foot traffic, so Caine's chances of getting a customer were very small, and the few walk in customers that came through were always in too much of a hurry to get their auto part to play Caine's Arcade. But Caine never gave up.

On the last day of summer, by chance, a filmmaker named Nirvan Mullick

Don't Eat The Marshmallow

walked into Smart Parts looking for a used door handle for his '96 Corolla. Caine asked Nirvan if he would like to play. Curious, Nirvan asked how it worked. Caine explained that for \$1, Nirvan could get two turns, or for \$2 he could get a Fun Pass with 500 turns. Nirvan got the Fun Pass.

Nirvan came back to Caine's Arcade to make a short film, and learned that he had been Caine's first and only customer. Nirvan decided to organize a surprise flash mob of customers to make Caine's Day.

Words can't describe Caine's response – so watch the film. We can share that after the flashmob of arcade customers, at the end of the day as Caine and his dad drove home, Caine turned to his dad and said, “Dad, this was the best day of my whole life.”

After being posted, Caine's Arcade became a viral phenomenon, raising a scholarship of over \$228,000 for Caine and launching a global wave of cardboard creativity in kids around the world. Caine became the youngest entrepreneur to speak at the USC Marshall School of Business, was flown to France where he became the youngest ever speaker at the Cannes Lions International Festival of Creativity, and travelled to Sacramento where he received the Latino Spirit Award from the California State Assembly. Meanwhile, millions of kids and adults around the world have been inspired, inspiring Nirvan to create a follow up film (Caine's Arcade 2) and launch the Imagination Foundation to foster creativity in more kids.

How do you make money from what you love?

One day out of the blue my son asked me, “How do you make money from doing what you love?”

Me: Great question son. Can you remember where money comes from?

Son: Yeah it comes from working. So you would go to work to make money.

Me: Actually you would do what you love every day and get paid for it.

Son: That's awesome. But people get paid already for going to work.

Me: Would you rather get paid to wash cars or would you want to get paid for drawing pictures and writing stories? Do you think you would do a better job washing cars or writing stories?

Son: Definitely writing and drawing pictures. I would love doing it every day and it would not feel like work then. Because I love doing it I would do a great job and then I could get paid more because I would have a lot of people asking me to write.

Me: That's why it's important you keep doing what you love.

The beauty of doing what you love is that you attract opportunities (and money). You “jump” out of bed every morning. You can also make a difference to people’s lives as well.

“Behavioural research shows that spending your time doing something that you love is the biggest driver of personal wellbeing.” (Source: Arun Abey).

How money can help us pursue our passion?

The Barefoot Investor, Scott Pape has had a major influence in providing people with a way of pursuing their passion. In his book, *The Barefoot Investor – Five Steps to Financial Freedom*, Scott refers to, “treading your own path.” “Money gives you choices. It gives you

piece of mind. It allows you to live the life you want.” His book was a turning point for me and provided me with the inspiration to start on my own path. It is recommended reading for anyone who wants to do the same.

Recommendation:

Teaching your kids to follow their passion is not just a money attitude, but a life attitude. Being able to successfully manage money (from a young age) will provide your kids with the freedom to make a choice to follow their passion. Your kids will not be limited in choice as a result of financial difficulties caused by not having the right attitude.

To successfully teach your kids the right money attitudes start with the following:

- Let your kids know what it is you love and why.
- Let your kids explore what they love doing.

Try and avoid these attitudes:

- Putting pressure on your kids to follow in your footsteps.

Remember these steps to make the learning fun and easy:

1. Involve your kids in what you are passionate about.
2. Let your kids build their dream (refer to Caine's arcade example).

What happens next?

Firstly, let me congratulate you on reading this book. I hope you enjoyed the journey of reading it as much as I enjoyed writing it. All of the examples included in the book were “real life” trial and errors with my own kids and the successes we’ve had both with teaching and learning. Most importantly, the experiences my children and I created in the making of this book were both fun and educational at the same time for all of us. I hope you find the examples easy to follow and that you have plenty of fun with your kids putting them into practice.

By reading this book you are now ready to take the following steps:

- You should be aware of your attitude toward money and how it was formed.
- You should know what the right attitudes towards money are

and how to teach them to your kids.

- You should be confident in using the examples provided in this book to make the learning fun and easy.

What does success look like?

As you begin to use the examples in this book you may notice some changes in your kid's attitude toward money.

1. Your kids understand that money comes from working. Your kids understand that money does not equal success - what they do with their money is more important.
2. Your kids don't eat the marshmallow. They don't spend all of their allowance at once. They understand that money gives them choice. They learn to make decisions about what they spend their money on.
3. Your kids successfully save for a goal. They put a picture on the wall of their goal and they save for it. They start to have pictures of goals that are more long-term. Eventually they will have more than one picture - some representing short-term goals and others representing longer-term goals.
4. Your kids learn to give. They pick a cause that they connect with and they give some of their money to that cause. There is no magic amount here, but you can teach your kids to give at least 10% of their allowance (remember to practice what you preach).

5. Your kids learn not to borrow money for things they want. They learn to avoid debt from a young age.
6. Your kids learn to explore what they are passionate about. They begin to look for experiences that will help them build their knowledge and skills in the area they find most interesting.

My daughter's first purchase:

Once we started giving an allowance to my daughter she was planning on her first purchase. Her first want was to buy a Care Bear. That lasted two weeks, and then she started looking at toy catalogues that arrived in the mail. Each week her want would change. She would look up the price, make a decision if something seemed expensive based on the amount she had in her money box. Every week she would say the same thing to me, “Dad once you give us this week’s allowance can we go to the shop to buy....”

Finally my daughter decided she wanted a set of tea cups from the local store. It was a Saturday and she was adamant that this is what she wanted to spend her savings on. So we checked her money box of notes and she had \$25. She wanted to leave \$5 in her money box so we took out \$20. I thought it interesting that she did not want to empty all her savings as she really wanted these tea cups. We also agreed that she would not use her money box of coins as this was to be used for savings (long-term) and giving. So with \$20 in hand, we went to the store.

Don't Eat The Marshmallow

Daughter: Follow me Dad, I'll show you where it is.

There I was following my seven-year-old daughter who was confidently walking the aisles looking for the teacups. She was holding her \$20 like she was playing cards.

Daughter: I can't find where they are – I'll go and ask for help.

This will be interesting, I thought. But just as she was about to go looking for some help she found what she was looking for.

Daughter: There they are...that's the tea set Dad.

The tea cups were made of porcelain and looked quite dainty. We both went to check the price, but there was no price on the box of tea cups nor was there a shelf price. As we walked to the counter to buy the tea set I wasn't sure if \$20 would be enough. Would my daughter be disappointed on her first purchase?

I placed the tea set on the sales counter as my daughter looked up at the sales assistant with her \$20 in hand. No price came up in the system.

Sales Assistant: Excuse me, what was the price displayed on the shelf?

Me: We could not see any price on the shelf. Is there no price in the system?

Sales Assistant: No there isn't. I will need to get some help.

As she turned around, she noticed the Store Manager was helping at the counter next to her. There must have been a problem, as there was a line getting progressively longer and people were starting to get impatient.

The Sales Assistant asked the Store Manager, “Do you know the

price of this item?” The Store Manager replied, “Not off the top of my head.” He looked a bit frustrated as he was trying to help with the initial problem with the counter next door.

My daughter looked up at me anxiously. Then the Store Manager smiled and said, “I’m not going to worry too much if we sell that for \$4.99.” The Sales Assistant turned to my daughter with a smile and said, “It’s your lucky day. That will be \$5.00 please.” My daughter looked at her “deck” of \$5 notes and gave one to the sales assistant.

We walked out of the store together, both with a big smile on our faces. My daughter was smiling because she had enough money to buy her tea set. She could go home now and have a tea party. I was smiling because my daughter was learning how to manage money the fun and easy way. She did not even realise she was learning. Her day was all about her Dad taking her to the shop so that she could buy a set of tea cups.

I want to buy a laptop with my allowance

My 11-year-old son had his heart set on buying a PlayStation 3 with his allowance. He looked it up in the toy catalogues and found the cheapest price. We agreed that he could get one with his savings, but he had to keep \$2 of his \$11 weekly allowance for the future (long-term savings). He also wanted to give \$50 a year to his cause of choice. We agreed that whatever was left was up to him to decide what to spend on.

Don't Eat The Marshmallow

Son: Dad would it be okay if I didn't get a PlayStation 3 with my allowance?

Me: That's fine. You know it is your choice as to what you spend your left over allowance on. Is there something else you would like to get?

Son: I would like to get a laptop, but I'm not sure how long it would take. How much does one cost?

Me: I paid \$800 for the one I've got.

Son: But I'd like a smaller one.

Me: Well that would cost more.

Son: Really. Well maybe we can wait until I get to high school and see what kind I need for school. I also want to get a program that will help me design games and do illustrations.

Me: Why don't you see how much you can save and we can talk about it when you are ready.

I am really impressed with my son. He is starting to think longer-term for his savings goals. He is also thinking about ways to explore what he loves doing. He is on his way to discovering what he is passionate about.

These are great conversations to be having because your kids are asking the questions. This tells you what they want to learn.

This will prepare them for the lessons to be taught at high school... but that's another story in the meantime, *don't eat the marshmallow.*

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First and foremost I would like to thank my wife and children for providing me with the support, encouragement and inspiration to write this book. This book allows me to share our stories as well as my family's creative talent via the illustrations included in this book.

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Don't Eat The Marshmallow

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About the Author

Robert Bihar has 15 years' experience as a Finance Analyst working in large corporations, teaching financial and budgeting skills to managers of these corporations. Over time Robert found himself being asked personal finance questions by family, friends and work colleagues. As a result of helping these people, he realized that their money habits could be tracked back to what they were taught during childhood.

Robert has written this book to share his story and to provide his insights as to what money behaviours to teach your kids.

Robert's passion is helping parents teach their kids how to manage money in a fun and easy way. As a parent of two young children, he understands that all parents want to feel confident that their kids will be able to make the right financial decisions so as to lead life on their terms and make a difference in society.

Don't Eat The Marshmallow

Inspired by personal stories, Robert truly believes that when kids have a good understanding of money and they are encouraged to do what they love, truly great things can happen with their lives.

To find out more, please visit www.robertbihar.com

Don't Eat The Marshmallow

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DON'T EAT THE MARSHMALLOW

Have you ever asked yourself:

1. At what age should I start teaching my kids about saving?
2. Where do I start?
3. I don't like Maths so how do I do it?
4. Why can't I find a fun and easy way to teach my kids how to manage money?

Well, kids are never too young to learn about money and what to do with it. It's not about maths and complicated calculations; it's about teaching your kids the right attitude.

Attitudes are often formed early (between the ages of 5 to 12) and parents are the key influence on their kids behaviour at these ages.

'Don't Eat the Marshmallow – The Fun and Easy Way to Teach Your Kids about Money', provides fun and easy to follow examples on how to teach your kids the right "money behaviours". Get your kids started early and watch what happens...

"A must read for every parent. My 6 year old is now a few months into saving for his dirt bike"

Pei-Shan Wu, mother of four

"Don't Eat the Marshmallow is a great read for anyone wanting to strengthen the ties between parent and child guidance in regards to money. It can be read in one sitting, but the knowledge will last a lifetime."

Kate Woodhams, mother of two boys

ABOUT THE AUTHOR



Robert Bihar is a Finance Professional with over 15 years' experience, working for some of the largest multi-national corporations.

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