

What are we teaching our kids?

How to handle the "I want, I need, Ipod" generation.

By Mark Stevens

"I want it, and I want it now." That seems to be the rallying cry of a generation brought up on instant everything, from microwave popcorn to meals in a minute.

We've gone from Hamburger Helper to Handout Helper and it ain't helping. The problem is, you can't microwave money matters. Fast food, yes. Fast finances? No.

So what are we teaching our children? What do we do in a gimme-gimme culture where video on demand has created a rather demanding citizenship I call the "I want, I need, iPod" generation?



Consider the college sophomore who calls home and says, "I got in a car accident and hit someone in the parking lot. I need the insurance information ... huh? ... Dad, why are you getting so bent out of shape? That's why you have insurance right?"

Yes, that was me in 1979. I still remember my "hey I'm a college guy" indignant voice, while I addressed the guy who *bought the car I was driving and paid for the insurance*. Why didn't I realize the value of what I was receiving? Why doesn't today's generation appreciate the value of what they have now? And what can we do about it?

For boomers of the 60's generation, pop psychologists have provided the "Parental" excuse: Due to their sacrifices and hardships, they created a privileged, pampered "If I want it, I'll get it" entitlement environment not realizing that "college, car and comfort" comes at a financial cost to others. And, awe-gee, they didn't even snuggle us the right way when they went without, for our needs!

Come on now. Really.

But it does beg the question: What via our consumer driven, play with no pay mentality are we teaching our children?

Your parental actions speak so clearly, your children cannot hear what you are saying!

I say we need to model and mentor a Mature Money Mindset. By our words and actions, we must leave them a legacy of financial savvy and



empowerment. And that just might mean taking a deep look in the mirror first, and modifying our own financial behaviors.

The difficulty is that our elders did, with the best of intentions, work hard, go without nice things, feel hungry at times, and struggle to give their next generation the luxuries we so routinely dismiss. They sacrificed. They understood that you do not choose instant gratification, in deference to future security. But alas, since we, the next generation didn't have to struggle, we didn't all learn those lessons. If recent national events provided you a wake up call: We must rise to teach life lessons to our kids, if they and our children's children are going to do better in a changing world. We must develop a multigenerational money mindset ourselves, if we're going to protect them from financial instability and financial failure.

Let's look at your retirement mindset. Like most, you're responsible for your retirement. 401K, TSA, 403b and the like are not like our parents' pensions, called "defined benefit" plans or other plans with base guarantees. Do you know how much you need to save to match the guarantees



of an "Old Man's" pension, say \$100,000 in today's dollars twenty years from now? It's in the millions** - Are you on track?

Or have you been lured into the "Jones" lifestyle, treading water to keep your head over your bills while to outside observers (and your children!) you boast the "right" house in the right neighborhood, and the right club, and your kids in the right schools ... regardless of your debt, your savings and your future retirement safety net?

If that's you, I'll help you rewire your morose money mindset, now and again in our December '05 article. For now, pretend you're at a party and the following situations arise. Compare the typical, gut-level, instant, automatic reactions to my new "cocktail comebacks."

Situation one: House envy. You're being urged to buy in the hot new development for just under \$500,000 to upgrade your "small" home.

Cocktail comeback: "Oh Mr. Mrs. Pretentious, we can certainly afford so and so, but we are investing those extra funds for retirement, college and business pursuits. It's money better spent, don't you agree?"

Situation two: School envy. You're being urged to send your children to "the right school."

Cocktail comeback: "Yes, we considered that too, but we've raised our children to be fairly disciplined, and we figured, if needed, we could always hire a tutor-Plus adequately fund their college savings, Plus our

retirement and Plus our other needs. It's money better spent, don't you agree?"

You get the point. By the way, my family and I live in what a few puffed pompous would say is "Oh that cute little house." But I prescribe what I teach, because you can bet that extra money is intelligently invested on retirement, college and other savings. I think it's money better spent- don't you, my beloved reader, agree?

So what are we teaching our children? Here's some help.



1) Establish an "imitation" checking account, (you can buy checks at various stores, or your bank) issued by Bank of Mom/Dad. All monies go into this account. Require 50% funds to be saved for long term savings. As "fake" assets grow, move them out to real savings and or investments with your child present.

2) When your child eventually wants something, simply ask, "what's in your checkbook?" (Minus 50%) Not enough? - Simply say no, or offer them a loan for the balance, that must be paid back by additional chores or additional work. Require that the loan be paid back by enforcing the chores/work soon after the loan is granted.

3) Let your children know your goals for their college savings. Require that they do the same. For older children, require jobs and demand at least shared responsibility for cars, insurance, college, etc.

4) Insist that they purchase and pay for life insurance of at least \$10,000.

5) When saving for your child's education, reconsider UTMA and UGMA accounts in favor of 529 College Savings accounts. UTMA and UGMA accounts give control to your child at age 21 and 18 respectively, where 529 plans do not.

We're just getting started here. For more help, check our new website. Soon it will contain part two of this article that you can sneak peak. Our new web is still being developed, and we'll continue to add new information and ideas for your money and your life. Be sure to check in often as we expand the site. We welcome your suggestions at www.MarkStevensFinancial.com.

** Above example uses a fixed immediate annuity paying \$209,000 per year for life of pensioner, with 50% survivor payment for life of spouse. A 3% inflation factor was used on the initial \$100,000 income example over 20 years. As always, this example was illustrative in nature, and was used for discussion only. Always consult your advisor directly for information pertaining to your needs.

Your Money And Your Life
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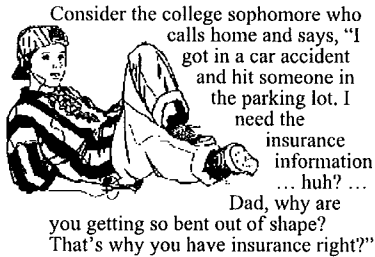
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