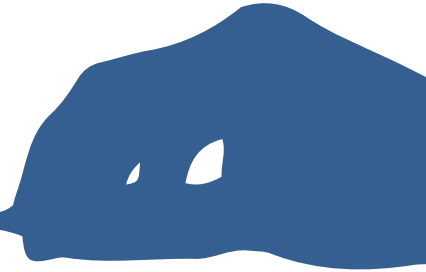


Teach

YOUR CHILDREN:

5 Money Lessons Every Child Should Learn



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In 1970, Graham Nash wrote the song "Teach Your Children". His struggles with his own father inspired him to produce a song that evoked so much real emotion for almost everyone who heard it. Graham Nash (from the liner notes of their 1991 boxed set): "The idea is that you write something so personal that every single person on the planet can relate to it. Once it's there on vinyl it unfolds, outwards, so that it applies to almost any situation."

Parents have the ability to be the greatest teachers on earth, helping their kids see the realities of life through their own experiences. The only thing that stands in the way is a little thing called truth.

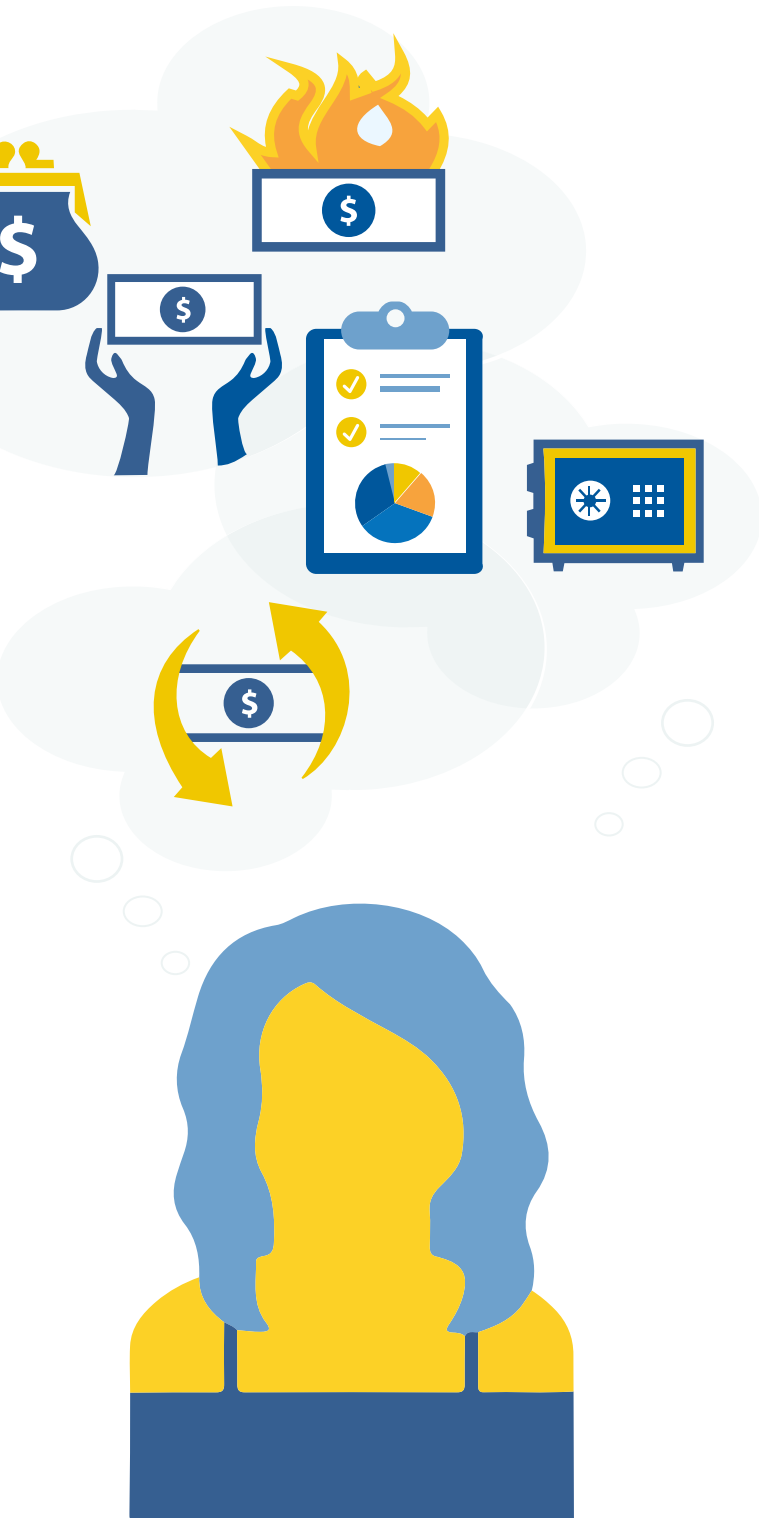
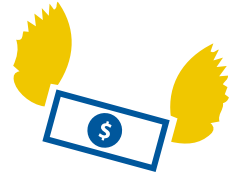
Sometimes bad financial habits are born out of necessity. In 2005, I found myself in a do-or-die financial firestorm. Until 2005, I was living like royalty. I drove very nice cars, wore \$2,000 suits, ate in all the best restaurants, traveled first class, and soon found myself in that place I lectured others to avoid at all costs. Despite my substantial income, my credit cards were maxed, my checking account was overdrawn by \$210, and I wasn't getting paid for 2 more weeks. I had zero purchasing power; not even \$25 for the copay at my son's pediatrician. I had completely mismanaged my finances and

had become the picture perfect definition of the hypocritical, reckless spendthrift I had built a career lecturing others on how to avoid becoming.

I had no choice but to raid my retirement accounts just to put food on the table. It was the low point in my financial life. I woke up every day embarrassed at my failures, living in constant fear that I would lose my job, lose our home, and lose our friends. I hated myself. I often thought about how much better off my family would be if they could somehow collect the \$4 million in life insurance I had. But I eventually realized that this was bottom, and that I could make the difficult choices to right our financial ship. I sat down and faced the truth that I had made some serious money mistakes, and I began to forgive myself. I got the professional help I needed to make better choices, and stay accountable to some very challenging financial goals.

By 2011, after six years of excruciating discipline, I was in a much different financial position than I was in six long years earlier. I had eliminated all of our debt (except my primary mortgage), regained control of my credit, and had accumulated enough savings that I could retire from corporate America. And I did.

After retiring in 2011, I chose to make it my purpose in life to teach others how to own their financial mistakes, fix them, and pass those invaluable lessons learned onto their children.



Financial “Home-Schooling”

Whether your bills are paid in full at the end of every month, or you stretched a little too far to buy a vacation home and a fancy car, or you have to do some hocus pocus to make ends meet, there’s a good chance you have some less-than-perfect money habits. These habits can have a profound effect on your children, just as mine did. Despite what you may be thinking, your not-so-perfect money habits can serve an incredible purpose and ultimately be one of the greatest gifts you ever give your children.

Most young adults are entering the grown up world without basic knowledge of how to balance a monthly budget or save for their future. Many are assuming massive debt in the form of car loans and student loans and doing so without a clear vision of how to begin repayment of these debts one day. They are not being taught the basic principles of simple versus compound interest, and how debt can cost them significantly over their lifetime. Public schools and universities have done a better job in increasing exposure to financial education; however, these efforts alone are largely unsuccessful and must be supported by good financial “home-schooling”. The theories and opinions learned in a personal finance class cannot compare to the knowledge gained by witnessing and learning from the practical choices, mistakes, and real-life money decisions kids can see at home with their parents.

The potential for parents as teachers

From a very young age, children pay close attention to how money is treated in their home. Many parents are missing the opportunity to use the observations as teaching opportunities. Moms and dads I meet tells me they prefer to keep quiet when there are struggles or disagreements about money, especially with things such as debt, paying for college, monthly budgeting and family income. They keep quiet to protect their kids from their mistakes. However, this can't be further from the truth. My personal experience, and my experience working with families and multi-generational wealth for the past 20 years, has taught me that parents who make significant money mistakes and involve their kids in the lessons learned from these mistakes can see a much greater impact on their kids making smarter choices as they enter adulthood.

Children know when their parents lack perfection. Lecturing them on how to make perfect choices about money will only drive them to more compulsive, destructive money decisions. The fear I initially see from parents in speaking the truth is that their child will be their little copy-cat, making the same mistakes they do. My experience has been quite the opposite. I have found that our kids and the kids of my clients are making much wiser choices with their money because of our honesty about our own mistakes, and the lessons we learned from those mistakes.

I recommend parents take a good honest look in the mirror; write down your money mistakes, past and present. Share these with your kids. It's an exercise with dual benefits. First, it forces you to become honest with yourself about where you may have mismanaged your finances. Awareness is the first step toward choosing a new path. Second, it allows you to become vulnerable and authentic in your relationship with your child, deepening his respect for you, and showing that a true leader owns his mistakes and works hard at fixing them. That's a priceless life lesson that seems to be missing quite a bit in the "school of parenting".

Here are a few habits to begin teaching your children as you become aware of your lack of financial perfection and strive to become a better teacher for your kids.





1. Own your mistakes and devote yourself to fixing them

First things first; forgive yourself for not being perfect with money. If the best time to become a great financial steward of your money was 20 years ago, then the next best time is right now. Become aware of your mistakes, own them by writing them down, and be willing to learn how to fix your mistakes. If you don't know the best habits for using credit cards, or how to make a household budget, seek professional help and learn with your child.



2. Create a family spending plan

Most families I meet make a good living and have substantial income, yet at the end of the month they often tell us they don't know where all the money went. Spending everything you make, or even worse, spending more than you make is a certain path toward insurmountable debt and poor lessons for the kids. Consider setting a weekly family budget meeting. Sunday nights after family dinner is a great time for the whole family to sit down and review the family bills and the upcoming family expenses for the next week. This way the kids can see exactly what it costs on a weekly basis to manage the household finances. "Dad, why can't I buy a new iPhone 6s for \$800?" If this is a question that has been asked in your family, this little exercise in weekly family budget planning can provide the very quick and understandable answer that puts the kibosh on that question, once and for all.

Be willing to admit when you make mistakes with your weekly budgeting and overspend on non-necessary items. Be open in discussing what you could do better as a family.





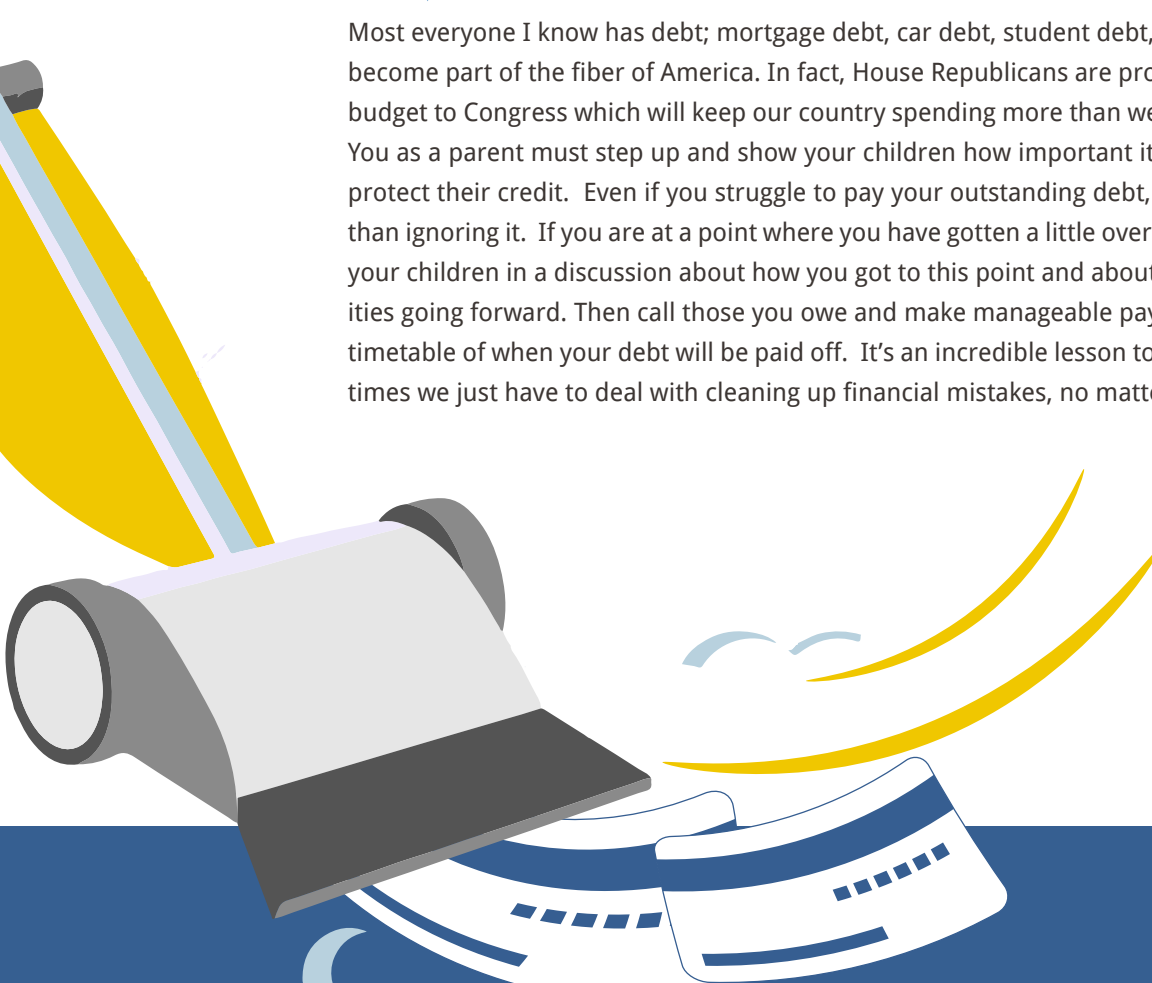
3. Save; no matter what

Not everyone believes he can afford to save. I teach clients that the first person to get paid every pay period is you. 10-15% of your take home pay should go into savings before any bills get paid, even if this is as little as \$10 per paycheck. It is critical to teach your kids the importance of investing in themselves and paying themselves before they pay anyone else. Ideally, your savings should include an emergency cash fund as well as a fund for your retirement, like a 401k or an IRA.



4. Clean up your credit

Most everyone I know has debt; mortgage debt, car debt, student debt, credit card debt. Debt has become part of the fiber of America. In fact, House Republicans are proposing a \$3.8 trillion dollar budget to Congress which will keep our country spending more than we make for the next decade. You as a parent must step up and show your children how important it is to properly manage and protect their credit. Even if you struggle to pay your outstanding debt, paying something is better than ignoring it. If you are at a point where you have gotten a little over your skis with debt, involve your children in a discussion about how you got to this point and about handling your responsibilities going forward. Then call those you owe and make manageable payment arrangements with a timetable of when your debt will be paid off. It's an incredible lesson to teach your kids that sometimes we just have to deal with cleaning up financial mistakes, no matter how hard it is.



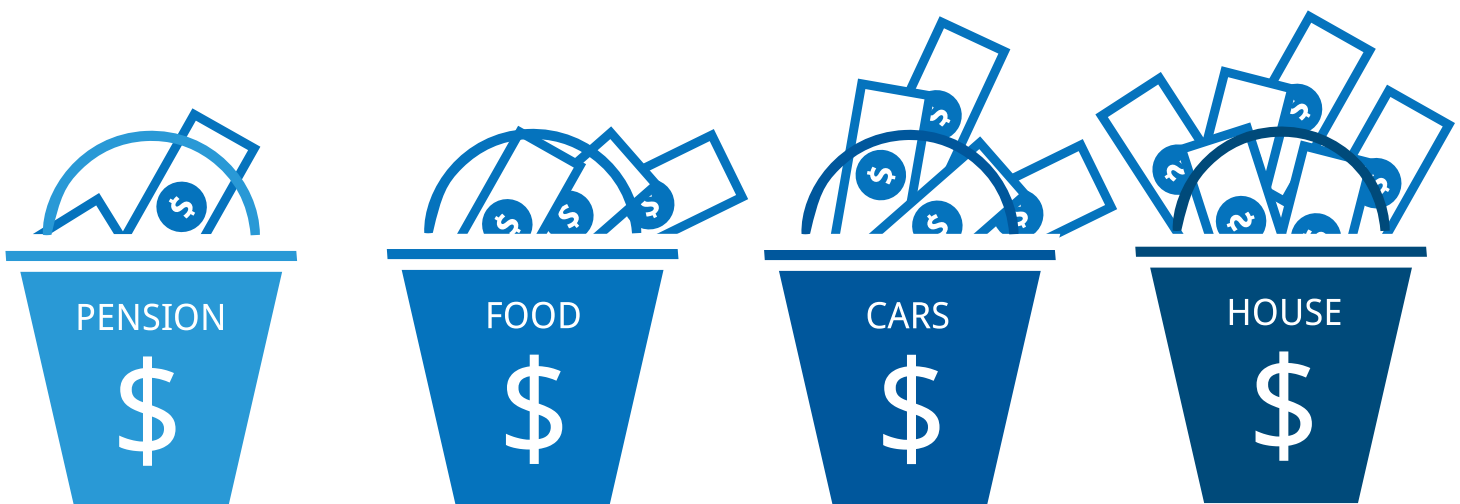


5. Agree to disagree

Disagreements about money can be some of the most damaging dynamics in a family environment. I meet families all the time who have different priorities when it comes to money. In 2013, Fidelity conducted a study about couples being on the same page about money. Their study concluded that 8 out of 10 couples believed they were in synch with money, when in fact they had very different priorities and beliefs when it came to money and how it should be used.

It's no wonder why so many families battle over money issues, but it doesn't have to be that way. We encourage families to sit and have discussions about differing views on money. Where do we agree about money? Where do we struggle to agree? Can we truly listen to one another's beliefs and work to support one another despite our differences?

This is not an easy exercise and families who have a hard time tackling this should seek professional help. This is some of the most important work we do in our private practice at Gebhardt Group, Inc. (our private practice affiliate of 401k Masters, LLC). We work with families to help them establish agreements about money, especially in the areas where there is much disagreement. Family fights about money that are not resolved are some of the most harmful interactions that can happen, especially in the presence of the kids.



I've shared my mistakes with my children and their financial habits are better off because of them. My oldest son is saving his money to buy his first car in a little over a year, and he's already contemplating the best ways to save for and pay for his college education. My younger son saves his money for Calvin and Hobbes books, but nonetheless, he's learned the important lesson in valuing money and what it can buy you if you treat it with respect.

“You, who are on the road, must have a code that you can live by. And so become yourself, because the past is just a good bye. Teach your children well. Their father’s hell did slowly go by. And feed them on your dreams. The one they pick’s, the one you’ll know by.

Don’t you ever ask them why? If they told you, you would cry. So just look at them and sigh. And know they love you.

And you of tender years can’t know the fears that your elders grew by. And so please help them with your youth. They seek the truth before they can die. Teach your parents well. Their children’s hell will slowly go by. And feed them on your dreams. The one they pick’s, the one you’ll know by.

Don’t you ever ask them why? If they told you, you would cry. So just look at them and sigh. And know they love you.”

For more information on how you can plan for a retirement on purpose, contact:



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Matthew Grishman is the Co-Founder & Chief Marketing Officer of 401k Masters, LLC. He is also a Principal & Wealth Advisor at Gebhardt Group, Inc. Matthew has 19 years of experience guiding families, entrepreneurs, and athletes through the complexities of financial planning and living their life’s true purpose.

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