

Teaching children value of managing own money

Money Editor **ANTHONY KEANE** examines what parents can teach teenagers about money.

MOTIVATING teenagers to do anything can be difficult, many parents say, but sparking their interest in good money habits early is something that will pay off handsomely later in life.

Financial lessons become more meaningful during high school as children take on part-time jobs and become consumers in a big way.

On the investment front, it is a good time to reinforce the long-term benefits of compound interest and investing in growth assets such as shares and property.

Barker Wealth Management director and adviser Will Henwood said most older investors wished they had started young.

"So the message is there is no time like the present," he said.

Today, we outline some key financial lessons that children can learn during the high-school years.

NO HAPPINESS HERE

Author and AXA Asia Pacific head of strategy Arun Abey said research had found economic prosperity did not increase happiness.

As the Western world became richer in recent decades, youth suicide rates rose, said Mr Abey, co-author of *How Much is Enough; Money, Time and Happiness*.

"While a certain amount of money is required to guarantee basic stability and the happiness that brings, beyond that, money becomes less significant to being happy," he said.

"I strongly believe that parents who prioritise the love of learning and following passions will create happier children than those who believe prestigious jobs and high salaries are short cuts."

SELF-DISCIPLINE

Adelaide Property Finders director and neuro-linguistic programming practitioner Angelo Mena said it was important for teenagers to learn the discipline of mastery over themselves.

"This is the ability to acknowledge the value and benefit of something and to say focused on it despite emotional or other influences getting in the way," he said.

"I know of countless examples of children who were given everything except the opportunity to master self-discipline and being shown the value of money, only to grow to adults and squander inheritances passed down to them from their parents.

"This is no different to the countless examples of people who win the lotto only to blow everything within a couple of years.

"This is of no benefit to anyone and, without self-discipline, money always will be hard to come by and easy to lose. Not only will discipline help generate wealth but it will also help protect it and magnify it."

PART-TIME WORK

South Australian Secondary Principals Association president Jim Davies said many students balanced casual or part-time employment with high-school study.

"This is a smart way for students to become educated about money," he said. "Students who take on a casual job gain first-hand experience at managing their own money and establishing a sense of financial independence."

Mr Mena said part-time work delivered teenagers a new-found

freedom. "This is a freedom where the disposable income and spending power for the child will increase dramatically," he said. "Here is where a critical decision must be made. Will all the money be spent on satisfying emotional needs and complying to peer group pressures or will a proportion of money go towards investing in their future?"

SAVE 10 PER CENT

Mr Mena said that while children might not have high incomes, the advantage they had over an adult was time.

"This, together with the compounding nature of investing, gives the child far more control over their financial destiny than they often realise," he said.

Mr Henwood said it was important to "start finding the money".

"Try saving 10 per cent of your part-time job or pocket money and direct this away into a special bank account such as an online savings account," he said.

"As your savings build up, you can then choose and buy good growth assets such as a managed share fund or in companies."

GOALS AND BUDGETS

"Show teenagers what the family household budget is and put a copy somewhere accessible," Mr Henwood said.

"Show them what bills are coming in and how much is in the bank account to cover them.

"When kids can make a difference, get them involved. For example, if \$300 is allocated for electricity each quarter, tell them if the bill is less they can keep the difference. You might be amazed at

how often the lights and air-conditioning get turned off."

Mr Davies said parents should encourage teenagers to develop simple budgets.

"Talking with your teenager about the importance of putting money aside and financial goal-setting cannot start early enough," he said.

"It's important that young people who still live at home get used to earning and taking responsibility for their individual finances."

SHARE THE FUN

Shares are a good way to introduce teenagers to investing, as they can be bought in parcels of a few hundred dollars.

The ASX regularly runs its Schools Sharemarket game. That targets students in Years 7 to 12 and gives them a hypothetical \$50,000 to trade over 10 weeks.

Its next game starts on August 19 and registrations open on July 21. The asx.com.au website also has online lesson plans for teachers.

Mr Henwood said real money earned from part-time work or pocket money could be invested in well-known companies.

"You can choose to buy into companies or brands where you spend your money such as retailers like Woolworths, which owns Dick Smith Electronics, Wesfarmers (Coles and Target), Billabong, JB Hi-Fi or David Jones," he said.

"The shares then pay a dividend which children can use to accumulate savings and can then be used to buy the items they want."

TOUGH LOVE

Mr Abey said many parents used

money to protect their children from hardships, which denied them opportunities to develop resilience, confidence and valuable life skills.

"We earn a true sense of achievement when we have to deal with challenges. And those lessons are priceless," he said. "If a child breaks or loses a mobile phone, the parent is inclined to replace it immediately. This teaches the child that their carelessness was cost-free and that money is easy to come by.

"How different would the message be if the child had to work off the cost of a new phone or pay for it out of their pocket money?"

NO FREE PHONES

Mr Henwood said it was a good idea for teenagers to pay for their own mobile phone services.

"You can ask your children to pay for their mobile phones by doing jobs around the house or by paying for them out of their pocket money or other cash reserves," he said.

"Just giving them the money doesn't teach them its value."

SUPER SAVINGS

Mr Henwood said students working part-time could examine federal government superannuation incentives for low-income earners.

"If you are working part-time and have a superannuation fund, take advantage of the \$1500 government co-contribution scheme by depositing up to \$1000 over the year in small fortnightly or monthly amounts and receiving the Government's matching deposit when you file your annual tax return" he said.

