

What You Should Teach Kids about Money

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It's the day after Christmas, and millions of people are taking back presents they don't want and either exchanging them for something they prefer or getting a refund. Most people, parents especially, are exhausted by the societal pressure to get gifts for all sorts of people, even if you can't afford it. Here are my thoughts about teaching kids about money.

Scenario 1: On Saturday, December 20, 2014, I went to get a haircut. I talked to the lady who was the haircutter, and she talked about her only child, a 22-year-old son. She was a single Mom who had supported him by having day care in her house for 15 years. Then she entered the haircutting business. Once he turned 20, she asked him to pay a modest \$100 per month of rent and he agreed. Then he started having his girlfriend over and she said you have to pay more, because of the extra food and utilities. He refused and moved in with his grandparents. The Mom claims they are spoiling him because, as the only grandchild, he can do no wrong. The child is going to the local community college and does not yet have a career.

Dr. Wong's analysis: the issue is not about paying \$100 vs. \$200 per month. The issue is learning to live in the real world, where most people work hard every day just to pay for rent, utilities, food, and their car expense so they can get to work. If you know anything about the eating habits of a 22-year-old male and girlfriend, the food bill alone can be \$400 per month. A normal tenant, who rents a room, typically pays \$500 rent plus at least another \$100 towards utilities, or a total of \$600 each month. The total cost would be \$1,000 per month. *The grandparents are making a big mistake by not charging him rent.* Also, they are undermining the authority of his Mom. Just STOP, as you are causing friction between your daughter, your grandson, and yourselves.

Scenario 2: Over the years, I have heard many of the Greatest Generation (born between 1901-1924) or Silent Generation (born between 1925 through 1945) complain about their Baby Boomer kids or their grandkids (the kids of Boomers). Boomers were born right after World War 2, from 1946-1964. Those who had experienced the hardships of the Great Depression and World War 2 vowed that their kids would never suffer and often spoiled their Boomer kids.

However, they did not realize that the trend would accelerate with how Boomers spoil their kids. Boomers are the first generation where most of the wives worked instead of stayed home. As a result, there is never enough time. So, many Boomers tended to substitute giving material items to their kids as a substitute for quality time together. As a result, many of their kids grow up with their own room, TV, computer, smart phone, and even a car when in high school.

It's no wonder that their kids are shocked at life in the Great Recession that started in 2008. When I wrote an article about 3 years ago, 35% of Generation Y (the Millennials, born between 1982-1994) in Sacramento, CA were living at home. Half of the college graduates were either unemployed or working a job that had no career path related to their college degree. Between large student loan debt and bad job prospects, they are delaying marriages and not buying homes.

Conclusion: Giving too much monetary support to your kids and grandkids does not teach them about the real world. It can lead to unrealistic expectations and someone not willing to work their way up in a company or organization, or a pattern of quitting jobs because they are not “ideal”.

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