



When your child asks about money

Drew Browne

Given the abundance of our modern lives, it is not surprising that we end up with complicated feelings and concerns about money and possessions. Children ask a lot of questions—it is part of their job, and adults raising children are going to face unexpected and honest questions about money. Some can be anticipated while others catch us totally unprepared. And if you do not have your own children, chances are you are a role model for someone else's.

When children ask questions about money, it almost always comes down to an explanation of wants versus needs. This can be emotionally challenging for adults because it can trigger past money anxieties and beliefs, and prompt an assessment of current money behaviours.

Adults need to be prepared for these conversations and ensure they have done some thinking ahead of time about the values and skills they want to impress on their children. They will then be better prepared when they are ambushed by little-miss-five or master-14 midway through a sudden purchase negotiation.

Money conversations can be stressful

Many people dislike talking about money and make dismissive statements about having money conversations with children, suggesting that they will not understand. Older children will see through this

and notice the adult's unwillingness to engage in an honest conversation—and teenagers may potentially find this demeaning. Families are emotionally and financially shell-shocked from the lockdowns caused by the COVID-19 pandemic. Some may still be reeling from the legacy of the Global Financial Crisis and would rather avoid money talks altogether. But because we are in the business of raising children to become self-sufficient adults, we need to be careful not to project our own historical fears and responses around money matters onto otherwise blank canvases (that is, our children).

Direct questions deserve honest answers

When children ask direct questions about money matters, their enquiries may sound like accusations. This may be because their parents are triggered by their own 'moneyisms', that is, their intrinsic beliefs and feelings about money. Even allowing for human quirks and biases, when responding to money questions from our children, we draw upon past experiences that are deeply connected to who we are, and what we believe, as adults.

There is rarely a simple answer

One of our clients told us they recently established a family rule that they would start talking about money with the children and they chose 'saving' as the first theme. These parents subsequently faced some pretty tough questions from their children, including:

- Why is that person asking for money on the street?

- Does Dad make more or less money than Mum?
- Are we poor?
- Will we run out of money if you lose your job, and will we have to leave our house?
- Should we give our holiday house to someone who does not have a house?

Teaching money values

Spending money can be enjoyable, and we do not want to rob our children—or ourselves—of this pleasure. However, how we earn and spend money is also a story about who we are and who we want our children to become.

The essential message to convey to children is that every dollar we spend is an endorsement of something. While our children are under our care, their financial status may be fluid, but their financial values should not be. So with that in mind, here are some ideas for talking about money.

Bigger purchases are usually executed electronically and quickly. When we simply ‘tap and go’ with a card purchase, it is easy to disconnect from how much is left in the bank account, or how much debt has been added to the credit card. When I am talking with my children, or making my own money decisions, there are two strategies that I apply to help maintain perspective.

Assessing value

The *affordability ratio* is used to determine how many hours’ work are required to afford a particular purchase. This is a great strategy to help you pump the breaks before things get out of hand at your preferred DIY or life-style superstore.

The *bang for buck ratio* is used to estimate how many minutes or hours of enjoyment will be gained for each dollar spent. This strategy is useful for deciding, say between purchasing standard or premium tickets at the cinema. More on this later.

Using strategies such as these brings greater intentionality to money decisions which enhances the enjoyment of earning and spending.

Learning about money

As parents, we have a lot of subtle influence over our children’s learning and spending behaviours. We can draw their attention to the activities of questionable brands by teaching them to think about what sort of harm they might be aiding if they spend their dollars on a particular product.

This could apply to brands that engage in large-scale wage theft, fail to respect women, advertise in ways that may harm self-esteem, or promote behaviours that aim to divide society rather than unify it. While this may seem obvious to adults, remember that younger children do not understand what spending money locally or supporting small business means, unless we explain it and remind them once in a while. This is where a regular trip to a local farmers market can be a fun outdoors activity as well as a learning experience.

Combating pester power

All parents have been there—after an exhausting week at work, they head to the grocery store to do the shopping with tired children in tow. Miss-five activates her super-powers to sense weakness and parental susceptibility to pester power.

She launches into a demand for whatever the current popular item is (often Disney related) and decides to negotiate hard in aisle seven. She wants it, she wants it now and she is escalating. Other parents push past will full shopping trolleys. They offer little sympathy but flash a knowing smile, hoping the tantrum contagion does not transfer to their own child seated in the trolley. Amid this mayhem, the beleaguered parent realises they have no effective, prepared response to quell the demands from miss-five.

Standard rebuffs such as ‘we can’t afford it’, ‘you already have one at home’, ‘you don’t really want it’, just don’t cut it in these high-stress situations. This is why it is crucial to talk to children about money in advance in a calm environment to prepare for these scenarios—and it is never too early to start. That said, parents know when to pick their battles and will give in from time to time. They should not feel too bad when this happens—I have a house full of toys, stuffed things and souvenirs, which are no longer acknowledged by miss-five, except when I try to throw them away. But with some planning ahead there are strategies that parents can fall back on.

Bang for buck

Let’s return to the ‘biggest bang for your buck’ rule—which could also be described as the ‘fun per dollar’ rule.

The phrase ‘biggest bang for your buck’ was coined in the 1950s when Pepsi was looking to position itself as the preferred soda over its rival and market-leader Coca Cola. The phrase has since slipped into the vernacular and is used to measure the enjoyment received from a purchase compared to the cost expended.

The bang for your buck rule works well for things we do not buy regularly—the ‘wants’ rather than the ‘needs’—and is particularly helpful when considering children’s toys made of plastic, sold as collectables, or appearing in the year’s top-ten list for Christmas.

Take the opportunity to ask your child to estimate the number of hours of fun they think they will have playing with whatever toy they currently desire, measured in dollar value. It can be even more effective if the child receives pocket money, and you ask them to contribute to the purchase.

However, being consistent with this approach—*value equals cost divided by hours of resulting fun*—may not always yield your desired outcome. The conversation about whether a premium movie ticket actually provides measurable additional fun for the extra cost might work in your favour. However, the significantly higher cost of buying, say a computer game or a gaming console, may in fact yield many of hours of fun per dollar



The quote

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spent, a fact that will probably support the argument put forward by master-14. That said, if this helps the teenager to learn to consider the bang per buck ratio when weighing up how he measures value, then it is a satisfactory outcome. And yes, I hope he is not reading this parental admission and saving it to use against me in our next money negotiation.

As children get older, or if you are parenting across a larger age gap, conversations after a purchase can also be very useful. For example, planning family holidays can provide an opportunity to re-view value compared to fun. If all family members agree that the VIP experience at the theme park was definitely worth the extra cost, and they all want to do it again—this may confirm that the expense was really worth it.

We are all role models for somebody

We parents are in the adult-making-business. But even if you do not have your own children, chances are you are a role model for somebody.

Uncles and aunts are the indispensable backup for their nephews and nieces and offer a safe refuge for them when parents are tired, need a break, or the children need a second, more diverse opinion or experience of the world.

Honest and age-appropriate conversations about money matters are the key to instilling good habits and values, so it is never too early to plan your response for the next time you are facing a rebellion in the supermarket. **FS**

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