

The Family Plan  
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It's more important than ever for parents to talk with their children about money. In fact, for many families, it's a topic that can't be avoided.

Job losses and shrinking investments are taking their toll in increasing numbers of homes. In a poll taken in February for Nationwide Financial Services Inc. and the Tavis Smiley Group, roughly 75% of respondents with children under the age of 21 said they had discussed the topic of saving money with their kids -- and 60% had done so in the past month.

### ***The Journal Report***

See the complete Your Money Matters report. This isn't necessarily a bad thing. Experts say that children -- especially older ones -- usually want to learn. And regular conversations about finances can help families cope with the economic crisis and better prepare the next generation to manage their own money.

"I think there's a huge silver lining [to the financial crisis] because it's an amazing opportunity to have a conversation with our children," says Stacy Francis, a financial adviser in New York.

One other thing to think about: Youngsters are being bombarded with information from the Internet, television and classmates. So if parents want a say in the discussion, they have to be proactive.

"If you're not having a conversation with your children, they're having it with someone else, and they're getting more information from their peer group," says Richard Rosso, a financial adviser with Charles Schwab Corp. in Houston. "Most people are suffering and are trying to get their balance sheets in order. The more the kids are involved, the more they understand and the more they pull together."

### ***Be Reassuring***

Ms. Francis warns that parents shouldn't scare their children with too much information or off-the-cuff comments. Younger children just need the basics and lots of assurances, she says.

Parents can talk about money and show them coins. (These days, a disappearing coin may be more appropriate, of course.) They may need to explain that mom or dad is going to be changing jobs.

"How you explain it makes a big difference," Ms. Francis says. Instead of saying dad lost his job, say there are going to be some changes.

It can be especially difficult for children who are 5 or 6, and who have always gotten what they want, to understand that the family is going to cut back on expenses. "Talk about it, but always let children know everything will be OK," says Ms. Francis.

Parents need to be strong because "children look at you as a rock," she says.

Jerry Shapiro, a professor of counseling psychology at California's Santa Clara University, adds that children can see when there is a problem in the home and "tend to blame themselves if there is tension." Parents need to explain how the crisis will change the child's life -- in simple terms -- and be aware of how they look to the children. For example, the kids will get upset, Dr. Shapiro says, if mom and dad say the family needs to cut back and then spend money on themselves.

Zanade Mann, executive director of Pink Polka Dot Organization, a nonprofit for underserved girls in New York, says she regularly talks to her daughters, who are 3 and 9, about saving and investing. She tries to relate news about the economy to their lives. "I try to tell my daughter it's good to make money, but some companies have laid off people," she says.

Older children can know more details -- up to a point. Linda Leitz, a financial adviser in Colorado Springs, Colo., says parents should be straightforward "without terrifying, if they can avoid it. I think being honest is the main thing. If we try to sugarcoat it, kids are not prepared for later."

Ms. Leitz also recommends that parents act as a united front and not blame each other if someone has lost a job. "That's counterproductive," she says.

Jeffrey E. Daniher, a financial adviser in Cincinnati, began talking with his teenagers long before the financial crisis. He recommends that all parents teach their children about budgeting, saving and investing, starting when they're about 9 or 10.

"I've been doing my best to make sure that they understand what's going on from an economic standpoint and an investment standpoint," he says. One concern he has is that the financial crisis will make the younger generation fearful of stocks.

### ***'Talk Honestly'***

He advises people to "talk honestly and candidly." For example, he says, "There's a wide gap between what [children] think things cost and what they cost."

"Make sure you spend the time to answer the children's questions," he says. "Most kids are not concerned that they're not going to Disney, they're concerned that mom and dad are going to be OK."

In his own house, they've had to cut back, too, he says. While his business has gained clients, there's less revenue because of the market's decline. The teens help by packing their lunches and cooking with dad. Mr. Daniher says they've also made decisions together about skipping out-of-town swim meets this year and saving money to be able to attend those meets next year.

College is another subject parents should discuss with their teens. Layoffs and market losses are forcing many families to re-evaluate their options. Ms. Leitz says teenagers may decide to get a job, attend community college or live at home freshman year to save money.

Mr. Rosso says this is also a good opportunity for parents to teach their children about the parents' financial mistakes and accomplishments. He says, for example, one client who recently lost his job was able to explain to his children that everything was going to be fine because the family had saved 24 months of living expenses.

"There are a lot of clients who have done a really good job, but they haven't communicated that to their kids," says Mr. Rosso.

"The more the kids are involved, the more they understand and pull together," he says. "You're teaching habits that maybe without this crisis they wouldn't have learned before."

—Ms. Mincer is a staff reporter for Dow Jones Newswires in Jersey City, N.J.