

Discussing the Financial Crisis with Your Children

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The second most common question I've been getting over the last few weeks (after "When will the market hit bottom?") is "How should we be talking to our children about this financial crisis?"

While the natural feeling is to clam up and pretend your lives are business as usual, that strategy completely ignores the opportunity to give your children a tremendous financial literacy lesson embedded in current events. Never before, and maybe never again, will parents find such a heightened interest on the topic of finances as we're seeing right now.

But you've got to hit the right notes depending on your children's age. If you don't, the consequences could lead to your children learning an unhealthy money lesson they will carry as baggage the remainder of their lives. Here are some macro themes on the topic to think about:

- Children are smart. Don't try to ignore or sugar-coat the events going on around them. They are not blind to them and treating your children as such is not a confidence builder for your integrity in their eyes. Children will make the event scarier in their minds if they think you're keeping a secret. They might even think it's their fault. Children might not link the new household stress to the world's financial situation, rather thinking it was something they had personally done. When they start asking about money there is no better time to start teaching. In his book, Dr. John Whitcomb suggests this language: "We're in a tough spot at the moment as far as money goes. We've got problems and we all have to work together to solve them. You're the most important person in the world to us. Let's do this together and we're going to figure it out."
- Be aware your children will also link you to the crisis but may not ask if you (and then, of course, the family) are going to be okay. Be direct. "(Mom or Dad) are fine. Everything will be okay." And, if possible, "We still have our jobs." But most important, "We still have each other."
- Be honest! Kids are a lot smarter than we give them credit for. You don't have to give them all of the gory details, but you also can't sugar-coat it to the point that your reputation is tarnished for not being on the level with them. (This point is redundant to #1.)
- Shut off the television. As the saying goes, "if it bleeds, it leads." The media gets compensated by companies that advertise due to their readership, subscribers, ... And negative information sells. My personal opinion is that the media is adding unnecessary fuel to the economic panic fire. Limit the messages that your children are being exposed to through television. Use this time to have meaningful conversations with the kids.

- Make conversations age-appropriate. The best way to know which direction to go is to find out what is actually “keeping them up at night.” Find out what their specific questions are on the topic. You’ll find things like:
 - Will I still be able to go to summer camp?
 - Will we have to move away?
 - Do we have enough money for gas?

Start with their questions and then, if the interest in learning persists, use this as a spring board to teach them about other financial topics. For example, you might find a younger child interested in opening up a savings account at a bank and an older child interested in learning about more about the stock market. Learning about ANY financial topic trumps their not being interested in anything. Don’t be picky about the topic they choose...just run with the desire to learn on the macro topic of money.

Also, it is time for parents to start monitoring what’s coming out of their mouths at home. Children can take comments quite literally, and when a joke is made (like, “one more day like this and we’re going to be living on the street”) your kids can take that as a serious comment. They do live in your house. They do have ears. Your comments have to be monitored.

- Let them help. If they look to become part of the solution instead of part of the problem, don’t deny them that access. Task them with trying to find ways to cut back. Yes, their suggestion might be just a drop in the overall household budget. However, going to the movies less, or downloading iPod songs, gets them in the mindset that at a time when the family is going through a difficult time, they all band together to make it through that time. Not only does this become a lesson in budgeting, but more importantly a lesson in family unity and values.

As parents, we cannot miss this golden opportunity to engage our children on a topic that is sure to improve their financial literacy. The historical statistics would say you might never have a better canvas for painting a picture for your children on multiple money topics that they will carry with them the rest of their lives.