

25 YEARS AS A FINANCIAL SHERPA PARENT – AN UPDATE!



THE GOOD LIFE

By Merra Lee Moffitt, AWMA®, CMFC®, CFP®

Since age 17, I've read every *Money Magazine*, *Wall Street Journal* and every other sensible financial tome I could handle. My parents were so poor they had to sell a cow to pay each car insurance or college bill. By the time I had my first child at age 32, I was no longer struggling. I had saved 10 percent of every paycheck since my first year after college. With intentions of imparting the awesomeness of savings and compound interest to my children, I raised my 2 boys with every bit of wisdom I could muster.

What can I share with you 25 years into the experience? My boys are 24 & 25 now, so here's our story.

An allowance at 3! — My kids had an allowance starting at 3 years old. I decided that \$1 for each year of age was a great place to start. They had to do household age-appropriate chores - load the dishwasher, set the table. What else can you do when you're 39 inches tall? I never paid them to pick up their own toys or clean their own rooms. "Your mess, you clean it!" RESULTS: As a mother, I never had to clean their rooms, do their laundry or collect dirty dishes. We had 3 buckets for their allowance - The first bucket was to spend now on whatever you want. Gum, candy, loan to a friend. RESULTS: After a couple years, they stopped buying silly, sugary things or giving money to their friends. But they loved yard sales. One Dollar would buy Lego's that originally cost \$20.

'Spend soon' was the second bucket — You must buy your own electronics and pay for your friends' (and parents') birthday gifts. RESULTS: Very few lost or broken electronics. Their friends and parents got \$10 gifts that were well thought out

before purchasing. A side benefit, my one son has an astute ability to get refunds and 'perks' when a product fails to satisfy.

Third bucket, your car fund! — Yep, I made them put a dollar a week into their car fund starting at 3! I wrecked the first car my dad bought me at 17. Wreck your own car! If you pay for it, you'll pay attention. RESULTS: Both sons have had the requisite number of teenage accidents, but I am not out thousands of dollars and they are now both pretty safe drivers. And they pay their own car insurance & car payments. By the way, they each had about \$4500 when they bought their first car. My eldest son's first car was our OLD Pontiac which we sold him at blue book value. His second car is my OLD Highlander also sold to him at blue book value.

Debts — The 'bank of mom' would let them borrow up to 1 month of allowance at 12% interest! Bank of mom also paid 12% interest on savings. They could do extra chores to work down debts or even build savings. The math was easy, 1% per month, we had an excel spreadsheet that I showed them every couple months.

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RESULTS: Debts got paid down quickly (perhaps our chores were too convenient; clean the refrigerator for \$10?) When they got too good at saving, I moved their car accounts to an UTMA investment account so I wouldn't have to pay so much interest. They also started getting investment statements and learned about that.

Whoops! Creeping entitlement mentality! — We took them out to eat. We took them on international vacations. Our lives were good and we could finally splurge. But, I started to realize this when they complained that vacations weren't special enough (Outerbanks with their 15 cousins wasn't Mexico) and their idea that good grades deserved Sushi. Results: Major failure; they weren't prepared to be starving college students. Patrick and I were given the wisdom of 20 years of striving to succeed which my kids deserved.

Starving Student Training — So at age 16, we stopped taking them out to eat except birthdays. I began making massive pots of rice and beans on Sunday nights for instant rice bowls, burritos, and Mexican Salad throughout the week. We 'practiced' Ramen noodles, eggs and leftover vegetables so they could learn dinner for 54 cents. RESULT: My at home college son steals all the meats of out my Chinese takeout and my Syracuse son raids the pantry of all beans, rice, tuna and every other protein whenever he comes home. Since they are both being frugal (as well as grateful) I'd say a great recovery!

Jobs — My stay-at-home college son has had a decent college-flexible job since 17. Sadly he earned too much too soon and believes that 'extra' money is for clothes, jewelry, and eating out. RESULT: He now has a decent full-time job, pays rent and all his own bills. He now is a frequent shopper at pawn shops where he gets his computer and phone 'bling' fix.

Jobs, Part two — My Syracuse Engineer son just got his dream job in Boston as a robotics engineer. He happily will be making enough to pay his student loans, save for retirement as well as Boston level housing costs. He and I spent several hours setting up his living expense, saving and debt payment plan. RESULT: He is now a full-fledged member of the working class and is learning to appreciate the balance between spending money on craft beer and groceries. He is a member of the Goodwill frequent shopper's club.

Got a financial parenting story to tell, like me on

www.facebook.com/MerraLeeMoffittGoodLifeFinancial and share your own story.

Merra Lee Moffitt CFP, first and foremost is a financial Sherpa. She is also the spouse of Patrick who did more than his fair share of awesome parenting (no space for this article) and deserves unbounded credit for how our sons turned out. If you want the kind of caring, thoughtful, and educated guidance she can bring, call, click or come by at 610.488.7353, www.MerraLee.net, or 30 Commerce Drive, Wyomissing 19610.

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