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How To Protect Your Kids From The Recession:

Expert Touts Financial Literacy for the Whole Family

Whether you've been hit hard by the recession or not, kids and families may be reeling from the effects of the troubled times without a frame of reference for how tough it is out there.

Arun Abey, former investment strategist and author of the book <u>How Much is Enough</u>, from Greenleaf Book Group Press (www.howmuchisenough.net), believes that parents don't just need to teach their kids about finances, but also about the relationship between money and quality of life.

"It's not easy to say that money isn't everything in a recession, but it isn't," Abey said. "It's so easy to fall into the trap of making sure your kids understand the importance of making a good living financially, but if we leave out the part about lasting fulfillment in their careers, we're shortchanging them. It leads to the avaricious corporate behavior that has been rampant in recent years where people pursue ever more money with no sense of meaning or perspective."

Still, Abey also believes we need to get our kids smart about finances early to help protect them now and in the future. To that end, he offers some basic tips for families who want to get themselves – and their kids – smart now about financial matters.

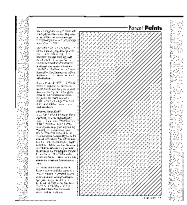
• Don't Let Money Be Invisible – Working-class families during the Great Depression routinely set jars out in full view of the family marked "Rent," "Food," "Clothes," and so on, showing everyone where the money went. Today, money comes out of ATMs, and is spent via debit cards and credit cards – invisible to kids as to where it comes from and where it goes. Kids lack a frame of reference.

• Give Kids Responsibility for Spending – One of the ways to get kids smart fast is to present a situation in which real consequences exist, by placing them in charge of their discretionary spending. If they receive an allowance, then parents should require their kids to map out the money they have coming and also where it goes. Seeing it on paper or in a computer chart will give them a sense of reality about their money, and also build healthy financial habits they will cling to in later life.

• Teach the Power of Investment – A typical method parents use to get kids interested in saving money is to help them set up a savings account. The part that is often left out regards the value of that investment. Parents should spell it out. For example, a simple investment of $100 in a basic savings account can result in a balance of $12,000 after 20 years. If they invest that same $100 in a bond or a stock that returns merely 6 percent a year, that balance grows to $42,000-plus.

• For Love or Money? – Most affluent families try to direct their children toward high-earning careers, such as medicine, high finance or business management. Working class families stress education, and also try to drive their kids toward high-status career paths in an effort to help them get out of the pattern of hopelessness and disillusionment that characterizes many of their childhoods. However, there is an alternative method, which directs children toward career paths that stress their passions, what they love to do. This path stresses lasting fulfillment over financial rewards, even though, in many cases, people wind up with both by following this path. Ask your kids what they are passionate about and what they are good at. The answers to those questions will lead to a happier life and a better quality of life than one centered on the pursuit of the almighty dollar.

"I can't think of a more important moment in America's history to teach these lessons," Abey said. "The current financial crisis, caused equally by reckless bankers as well as uninformed consumers, underscores the need for this kind of education and understanding. It's critical not just for mom and dad, but for the whole family, if future generations have a hope of being spared the pitfalls that led to today's crisis."



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