

Teaching Our Children About Money

Talking to children about finances can be a stressful and somewhat taboo topic, particularly during times of economic turmoil. At First Command, we are seeking to help parents open the lines of communication by sharing advice that our Financial Advisors deem most important for fostering financial literacy and responsibility in their own children.

We recently commissioned a survey of our advisors by Sentient Decision Science, LLC, a full-service research firm that also produces our First Command Financial Behaviors Index™. More than 340 First Command Financial Advisors participated in the initiative, offering the various approaches they take when discussing money with their minor and adult offspring. By highlighting the topics and advice they share with their own children, our advisors are providing encouragement and support to all parents looking for help in teaching their kids about money.

When asked what advice they would give to parents who want to teach their children about financial issues, our advisors mentioned being a good financial role model, starting to teach at an early age and having children take some responsibility for managing their own finances. Advisors also think that parents should emphasize several financial myths as being not true, including:

- “I need to make more money before I can start saving.”
- “I’m too broke to invest.”
- “I shouldn’t deprive myself now by locking my money for decades in retirement savings.”

Our Financial Advisors think that spending without a budget is one of the most important issues plaguing children today. Sixty percent of advisors with children think that this is one of the major financial pitfalls children are susceptible to in the future, and the majority think that spending without a budget is the greatest financial mistake made by both teenagers (72 percent) and children in college or university (78 percent). As a result, 41 percent of Financial Advisors talk to their children about spending on a budget at least monthly, with 11 percent talking about this issue at least a few times a week.

Teaching Our Children About Money - 2

When advisors with children were asked to identify the single best piece of advice for children, 34 percent mentioned that children should learn not to live beyond their means. Furthermore, 88 percent of all advisors think that learning not to live beyond their means is the best financial advice for both children in college or university and for teenagers.

Advisors are also concerned about debt among college-age and teenage children. Seventy-six percent of advisors said that acquiring credit card debt is the worst financial mistake made by children in college or university and 60 percent identified overall debt as the worst financial mistake.

One recurring theme in the study is the importance of having an honest and open dialogue. Seven out of ten First Command Financial Advisors use their own personal financial mistakes – and mistakes made by others – to educate their children. That’s a smart approach. Being honest about your own financial experiences is a great way to help your children deal with some of the anxiety they may be feeling in today’s uncertain economy and prepare them for a financially responsible tomorrow.

If you’d like to learn more about the results of our survey, please check out our slide presentation www.firstcommand.com/education/pdfs/Presentation-Slides_Talking-To-Your-Children-About-Money-Advisor-Survey.pdf or talk to your First Command Financial Advisor. We’re ready to help.

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