

Teach Your Kids the Value of Money

*How to
make money,
manage it
& have fun!*



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Introduction

If you have children...you have already started teaching them about money through what you say and do around money.

If you don't talk to them about money and all they ever see is you getting it from an Automated Teller Machine (ATM) or *the hole in the wall* is there any doubt that they will think you have an endless supply of money? If your children think that money comes from the automatic teller machine... you taught them that!

In a world of virtual money and internet banking, children rarely see parents sorting money into different piles for different purposes. Gone are the days of being paid in cash that is taken home for sorting. People have been receiving direct debits for their pay for many years now so the sooner you make money real for your children, the sooner they will have an understanding of the financial world and how it really works.

Parents often wonder at what age they should begin to give children pocket money and responsibility around money. Some parents say that they don't

want their children to worry about money and believe they should be allowed to have fun and stay kids for longer. Teaching them the value of money only takes a short time each week or two and can mean they can have much more fun for their whole lives once they master financial IQ basics.

When your children start asking for Gucci, Billabong, Prada, or some other brand the advertising and marketing machines of the world, or their friends at school have attracted them to, then it becomes urgent that you help them understand the real value of money before they buy their first brand name anything...or more importantly before you buy it for them!

Designer clothes often cost four or more times the amount of chain store clothing lines and often go out of fashion in a season. The sooner you help your children earn the money to buy their own 'street wear', the sooner they will become more discerning and better appreciate the value of money. Marketing experts create a very strong desire for young people *to buy to belong* or *to be in the 'in crowd'* from an increasingly earlier age. Having your children really understand the value of money is the best line of defence against this pressure.

If you are in the habit of buying your children what they want, when they want it, you may be setting them up for bankruptcy soon after they leave home. There are very few first year salaries that can pay all of someone's living expenses and buy designer brand clothes and products.

After really thinking about this, some parents realise that they have tended to give their children everything they want so they can feel good themselves about being a great parent and a wonderful provider. If you want your kids to stay dependent on you because you don't want to lose your close connection with them, you may also be slowing down their growth into becoming a confident, successful young adult.

This book has been written to help you teach your kids the value of money so they can easily move towards financial freedom as they grow up. This open and shared approach to making and managing money can also help strengthen your relationship with your kids during their challenging period of transition into the adult world.

Kids Learn About Money Without Trying

Whatever you demonstrate to your children on a daily basis about how you manage and spend your money is giving them the opportunity either to choose to do what you do, or not. The period of development from birth to seven years old is referred to as the *imprint period*. It is the period of their life that children copy what people do in the world around them without conscious awareness. The people they spend most of their time with are who they will most likely choose to copy or *model*.

Who did you spend most of your imprint period (up to seven years old) with? With whom did your spouse spend most of their imprint period?

Realising this modelling happened for you as a child, really important questions to ask and thoroughly consider include:

- What did you model from your parents (or significant adults in your life) about money?
- Which decisions did you make to purposefully NOT model things from them?
- Are you still modelling from them?
- How is that working for you?
- Did you choose new models along the way?
- Did your new models for financial management improve your financial situation?

- Which of your financial management habits and strategies are helping you move toward financial freedom and which are holding you back?

Whatever models you have chosen to use in the past, the great news is that it is up to you who you chose to model from this point forward. Choose the behaviours around money you want your children to see and do in their future. Just make sure you check in and see what results the people you choose as models are achieving for themselves before you consciously make the effort to start learning and doing what they do!

The Perfect Age

Congratulations on being a parent who is prepared to accept the responsibility to teach your children the value of money. It doesn't matter what age your children currently are; now is the perfect time to help them. Ideally, as soon as you have made the decision to have a child you can set up the foundations for their financial security. The strategies in this chapter are for the parents to implement and manage, the rest of the book is about how you help your kids implement strategies for themselves.

The first step to establishing a good foundation is to open up two accounts for your child; an Education Account and a Wealth Account. Both of these accounts involve the funds being invested into long term assets which provide high returns. It's all about having your money working harder for you and taking advantage of compound interest - you don't need tons of money to create great results as long as you start early.

Whilst your child is very young, you will contribute to and manage these accounts. Once you are confident your child has demonstrated that they can manage these accounts and they are legally able to own the accounts, you can transfer the ownership to them. You should decide when this occurs based on the results you see your child achieving in earning and managing their other money.

Education Account

Paying for your kids education may well become the largest expense you commit to when raising your child, particularly given that the majority of young people choose to complete a college education. The term *Education* includes both traditional education and also learning from other experts in business, finance and life skills.

To avoid your child having to pay a large debt at the end of their education, set this account up and regularly deposit money into it. Even depositing as little as \$5 a week can make a substantial difference to the amount of education debt that may otherwise be incurred. If this seems to be too large a stretch for your family budget right now, consider depositing some of the money given by family members and friends for your children's birthday or Christmas presents. Providing your child with the gift of having a debt free education can far outweigh the pleasure of a new toy or gadget that only lasts a short while.

Once your child starts earning their own income, teach them that a percentage of it should be deposited into this Education Account every time they are paid. Your child will then be miles ahead with their financial IQ and enjoy the freedom of having little or no debt at the end of their formal education. This process also teaches them the habit of investing in themselves through life long learning and empowers them with the knowledge they require to reach their full potential!

Wealth Account – the Money Magnet

Parents can also achieve great results by setting up a Wealth Account for their children and depositing money on a regular basis using the same strategy as outlined for the Education Account. Using a Wealth Account utilizes the *pay-yourself-first* concept that the wealthy have followed for years. This means that no matter what happens, you are consistently making a monthly payment to the Wealth Account for investing the first priority.

The only difference between this account and the Education account is that the funds accumulated can only be used for purchasing investments. All returns generated must be reinvested, allowing the funds to compound. The aim is for your child to accumulate enough assets to generate the

amount they require to fund their lifestyle from the income generated through owning the investments.

We refer to the day they achieve this as *Financial Freedom Day* whereby your lifestyle is funded by the income generated by the assets within this account and you no longer have to work. You are then able to choose if and when you work for money!

We call this Wealth Account the 'Money Magnet' Account as this is the account that will help your child reach their *Financial Freedom Day* in the long term because the money in it attracts more money like a magnet!

As your child grows older and is able to comprehend more complex concepts, start conversations with them around the benefit of having money working for you rather than you working for it; what compound interest is and investment options to take advantage of higher returns. Review this account with them at least each quarter, so they can see it growing for themselves.

If these concepts seem a little overwhelming at first, remember *the more you learn, the more you learn* and *the best way to learn is to teach* so you will be amazed at how much you learn as you start to teach your kids the value of money.

Savings Accounts

Of course as your child's needs and (most likely) wants begin to increase; you then help them set up separate Savings accounts to purchase larger items. This will teach them the importance of managing their money and to set goals for things they want.

These concepts are explained in detail and learned through using the MAGNET Money™ system which is described later in the book.

Separate Accounts for Each Child

If you have more than one child, we recommend setting up separate accounts for each so that when the time is right, you can sign over the accounts to each of them to manage for the rest of their lives.

After all, they are always going to need money and will always be learning.

Why Kids Don't Learn About Making Money at School

Parents often ask *“How come we weren't taught all the good stuff about money when we went to school...and...how come our kids aren't taught about money at school now?”*

In fact, kids are taught about money at school. They are taught what it looks like, how to add it up and how to work out percentages. Some kids, if they choose the right subjects as they grow older, can have the opportunity to learn how the government wants them to manage their money to meet legal and taxation requirements.

What's missing and what they would really benefit from being taught is how to **MAKE** it and **VALUE** it so they invest and manage it wisely in order to become independently wealthy!

The reality is that the vast majority of teachers are in the profession because they love to teach, help people and are passionate about learning. They certainly don't do it for the money – most of them are paid quite poorly when you consider the complexity and responsibility within their role as teachers of the most precious people on the planet – our children. Great

teachers who are out to make a difference in children's lives rarely have an entrepreneurial mindset.

Very few are likely to be able to model and teach how to become an entrepreneur and/or how to make money work for you through investing in assets that generate income. Most of them never learnt it themselves and don't have it on their radar as being important. They are more likely to teach what they model themselves – *study hard, go to college and get a secure, well paid job.*

Prior to the industrial age, children spent most of their time with their parents. Their parents taught them *everything they knew* including what was important to them (their values) and work skills. With the onset of the industrial age, children started spending more and more time at school and less time with their parents. The school curriculum primarily focussed on teaching work skills to help children secure a job and education about values was rarely in evidence. As *consumerism* took over and parents decided that both needed to work to buy all of the *things* they wanted, they spent even less time with their children to discuss values and day to day living skills such as money management.

Parents were now expecting the education system to teach the *real life* skills however...

The classroom environment at most schools is very different to real life situations where you work for and deal with money for real. It is virtually impossible for school teachers to make learning about money meaningful for students when at best they can only use play money and simulated situations in the classroom.

Ask yourself "When did I *get real* about money?" Most people answer that money only really affected them when they didn't have enough. One of the main pain points, many people experience is when they discover that they don't have enough money to live away from home...the point where the being cash poor severely limits the independence they crave. Once they experienced a painful enough event in their life, they decided to learn how to make money for themselves and to later work out how to increase the amount they made.

For most people, once it became about *real* money and *real* purchases and *real* work and *real* independence, they *really started to learn*. The problem for

many is that they only *started* to learn...and once they had their mortgage and steady job, they remained in an almost trancelike situation of going to work to pay the bills. They forgot to continue to learn more about money in order to keep improving their financial situation. In what seemed like no time at all, the kids grew up, went to college and left home.

The parents were so busy working and running manic activities schedules for the children, they didn't even notice they weren't making the time to learn about how to really get their money working for them. It was all perfect, because raising their children was the most important thing in their lives. They just forgot to step back and realise that by spending some regular and dedicated time on learning about money, they could have saved a great deal of time in the long term and also earned them a great deal more money than just working their day jobs.

Parents didn't learn to be entrepreneurs when they went to school and it would be highly unlikely that schools can train their teachers to be entrepreneurs today either. When will now be the perfect time to take the bull by the horns and make your children's learning about money real for them at home?

As parents you have the perfect opportunity to help your children learn about money from an early age. Preferably early enough that they learn really good habits around wealth creation and not even notice they are learning. Good modelling and habits as part of your family life are amazingly powerful tools for success.

Committing some time and effort in the short term will save you and your kids in many, many ways in the long term...and everyone gets to win and have a better life! So what are you waiting for?...let's get started!

Make It Real For Them

Parents have the perfect opportunity to help their children learn about money at the age that suits them perfectly. At school a child's learning is dictated by the government. The curriculum teachers are required to teach is forced into age level programs to cater for the need to assess students' progress. The problem with this is children develop at their own pace irrespective of the school system.

One mother interviewed, mentioned that her son went to watch the stock market floor in action when he was nine years old, at his request. He had watched a television program and got hooked on the concept, started reading about it on the Internet and then kept asking to go until his dad set up a visit to the viewing room.

We have no doubt that parents have the best real life opportunity to put learning about money into practice. You can do it easily by making it part of family life through how you introduce and manage giving your children an *allowance* or *pocket money*. You have an amazing opportunity to make their learning highly effective through showing them how to *earn* additional money by being paid for certain tasks they do around the home.

We all learn once we have enough reason to. How many couples do you know who suddenly had to get very real about making and managing

money when they fell pregnant? They had their finances comfortable enough for two and then had to rethink and rework their finances to include their child. Keeping children safe and secure is one of the strongest drivers for parents to make money. This driver can be so strong in fact that many parents *have enough skin in the game* to stay in jobs they hate for years in order to pay the bills and provide for their children.

Once you have a really good reason to make money i.e. once you have *enough skin in the game*, you then become really aware of what you are doing until you work out how to make enough money to keep you and your family safe and secure. When people focus on their financial situation in times of need, they often work out how to *fix* it in the short term and once they feel safe with it, they just do the same thing over and over until the next strong need presents itself. How much better would it be to keep increasing your financial IQ and therefore your wealth so that all of your needs are planned for and met in advance?

Developing effective money habits is critical to being able to keep money as a resource that is exchanged to get what you want. How much easier would it have been if you had developed resourceful money habits before you even knew you were learning them?

Ensuring that earning and managing money becomes an everyday part of your children's lives as soon as they can grasp the basic concepts can take stress about money out of their lives. Helping them develop financial IQ at an early age so they will be financially secure in the future will no doubt also give you peace of mind.

Kids Do As You DO, Not As You Say!

*...ever heard parents say "If I have told you once,
I have told you a thousand times. Why don't you ...?"*

If you remember those or similar words coming out of your parents' mouths, then there is a very good chance similar words have come from your mouth when asking your children to do something around the house, or perhaps their homework.

No one likes to be **told** what to do – think about it, do you? So why do we waste so much breath telling children what to do? Children learn by watching what you do and then deciding whether to do it themselves or not. If they like what they see, they will want to know more and ask you questions so they can learn to do it for themselves. If they don't like what they see (maybe it looks like hard work or too messy) they will not do what you do and resist your attempts to make them do it.

The only way to make someone do something they would rather not do is to make the reward worth the effort. This can be done in two ways. Either we offer 'payment' e.g. "Once you have done your homework you can go and play." Or we give them the pain they will get if they don't do it e.g. "If you don't clean up your room, I will take your toys away." Take a few minutes to consider how you convince your children to do things they don't want to do. People do everything to either get something we perceive as 'good' or avoid something we think of as 'bad'.

What jobs you can think of that you have chosen to do even though you hate doing them? What was your reward for choosing to do those jobs? It may have been the money to feed your children (one of the most powerful motivators on the planet) or the payment for an air ticket to go on a holiday. It may have been that you really wanted to help someone in need. Whatever the reason, remember you **chose** to do it. No-one can physically push your limbs around repeatedly to make you do anything. At some point for whatever reason, you make the decision to do any task you do...then you do it. If you make the decision not to do a task, then you don't do it. After all whose body is it and where are your decisions made? Blaming others for making you do something is victim mentality and can keep you in a stuck state.

As soon as we step back and consider what the really good reasons are that we do something, it is easy to see why we sometimes do things that we don't like or want to do. As soon as we realise what the benefits are, it is amazing how much more easily we are able to complete the task. By focusing on the benefits we can move to doing the work with an attitude of acceptance. Once you accept that you do everything for your reasons not for other people's, you can easily gain momentum to move forward in your life.

The other interesting fact is that just because you get your children to do something once, strangely enough, it doesn't mean it will be any easier the next time! In fact sometimes it feels like it gets harder every time you ask them. Their resistance to doing what they don't want to do is all about wearing you down to the point where you give up and they get out of whatever it is they don't want to do. Have you ever caught yourself doing your children's chores because it is "easier to do it yourself"? What is that about?

Think about your own behaviour and consider where you use this exact same strategy or behaviour pattern, either at home or work. It is extremely empowering when we realise that we all do it! Everyone on the planet instinctively tries to do what they want to do and avoid doing what they don't want to do.

Labels Matter

Names and labels you choose to use matter. We all know words have meaning and often use them regularly without stopping to consider their full meaning. For example, many parents use the term *pocket money* to describe the money they give their children to spend on fun things of their own choice. Consider which of the following meanings it may be possible for someone to associate with the term *pocket money*:

- It goes in your pocket so you have it with you to spend any time you feel like it.
- It is in your pocket so it's not much and doesn't matter what you spend it on.

Pocket money is a good term to use for money that you have given for them to spend on fun activities.

Another term often used is *allowance*. It is also worth checking on what you feel this term means, and what it means to your children. The thesaurus likens *allowance* to *payment, grant and pocket money*. You might like to consider what they are being given the money for.

We suggest you keep whatever term your family uses now for any money given to your children for entertainment and to treat them each week and give them money for fun. If you are currently giving them money for

saving or investing, it is clearer to them if you label that money by another name e.g. *grant* or *gift for saving* and have clear rules about when (if ever) that money can be spent and on what.

When you pay your children for doing tasks around the home, that money should have a different name to differentiate the fact that they are required to work for the money. We use the term *home pay* as it reminds the children that there is a financial incentive for doing the tasks and that *they* are in control of how much they earn. If you would rather use a different term, discuss and decide as a family what to use. It is always preferable to use a term that has a positive meaning. Avoid using any negative labels when talking about money as it may have an unconscious negative effect in the long term.

Suggested Terminology and Meanings:

Home pay – payment for tasks completed successfully around the home or neighbourhood.

Grant money – money given to your children for saving for major items e.g. investments, education fund, first car, etc.

Pocket money / allowance – money given to treat your children. It is up to them as to what they spend this money on e.g. movies, take out food, trendy clothing items, etc.

Gifts – money given for special occasions or rewards e.g. birthdays, reaching goals, prizes, etc.

Money Day...real conversations get real results!

When starting up the system for learning the value of money, it is important to find a time each week or bi-weekly to regularly sit down with your kids to discuss money and how your children are making and spending it – call this day *Money Day* and make it fun and important in the family schedule.

The quality of the conversation with your kids on Money Day will determine their results in the future. Have very real conversations about the work they have done and the payment they are expecting to receive.

If you choose to pay them without checking and discussing the quality of their work, you are giving them a message about the importance of the quality of their work. What standard do you want to encourage your children to aim towards? What standard do you hold yourself accountable to? What standard do you want your children to hold themselves accountable to?

When discussing the standard to which they have completed the work, practise using language that is about the work not them. This is achieved by separating the work from the child in the language you use to discuss it. No matter what the job they did is like, your love for them should be

clearly evident to them and completely separate to the payment you make for the Home Tasks they do.

Discussing why the *standard* is good enough or how it needs improvement is very different to telling them they are good or bad. If you say “You did a bad job on the dishes.” They may have heard “You are bad.” The only way you can really know if they are hearing what you meant to say to them is to ask them to tell you back what they heard you just say. Take the time to really listen to hear what they are feeling about the feedback. Being very specific about the feedback you are giving, and offering a good reason why they should change how they did a task can also avoid confusion e.g. “Some of the dishes were not in the correct place in the cupboard. Please take care to put the dishes in the right place in the cupboard so everyone can find them easily.” Give your children considered feedback that always comes from your heart.

Being honest and open about why or why not their work is to an acceptable standard, will help them become good at discerning quality in other areas of their life, and also help them improve at receiving feedback. Showing you why they deserve full payment for what they do can help them step up and own the results of their work. A great way of helping them do this is to ask them to show you what they have done. Ask them how they feel about the job they did and to rate it on a scale that describes the quality of their work. It could be fun to use ratings like *superstar*, *professional* and *amateur* – or better still, ask your children to come up with their own ratings. You don’t have to make a huge deal of the ratings for them to learn that people who complete their work to a high standard earn the best money.

We do not mean to criticise every little detail of every job they do, rather check on a different job each week and see how they are going. It is really great if you can provide them evidence of when you have noticed they did a great job - everyone thrives on positive feedback! Focus on all of the good work they do before mentioning any areas for improvement. Ask them for suggestions on how to improve the way things are done. Then always finish your discussion with a positive.

Kids Do Things for Their Reasons NOT Yours!

We all put our resources (time, attention, money and energy) into the things we consider to be most important – the things we **value** most.

Now ask yourself the question, “What is important to me in life?” and write your answers in the space below. Write them as single words or phrases – however they pop into your mind. All of your answers are perfect for you at this time.

Once you feel you have a complete list, ask yourself “What is important to me in life?” again. This time sit quietly and see what else comes to mind. Give yourself a couple of minutes, as often the best *ideas* take a while to come forward, then add them to your list.

Once you think all of the *extras* that have come to mind, ask a third time and sit quietly past your comfort zone and really check if there is anything else that is really important to you. Then add these things to the list as well. It is amazing how many people have never been asked this question, and how many are surprised by what answers pop into their minds once they are past the expected or obvious ones.

What do you imagine your children value most? The best way to find out is to ask them. Simply make the time to sit quietly with them and ask the same question as you have just asked yourself... “What is important to you in your life right now?” And then LISTEN carefully to what they answer and ask them questions about what they say. Write their answers in the blank lines below.

When they say they can’t think of anything more, ask them the question again and have them sit and wait for a while to see what pops into their mind.

Consider which of your children's answers are similar to your answers and which are similar to someone else's they have in their lives.

What you are investigating in this exercise is you and your children's values. Values drive everything we do. Have you ever noticed that as soon as your bills for living expenses become uncomfortably large, you stop spending your money on 'stuff'? It is not because you no longer want to buy things, it is more likely because you and your family's security may be under threat. You value having the security of somewhere to live and food on the table and choose to put your money there rather than into buying a new television.

The big question here is "How do we help our children see value in what we consider to be important?" Parents all want their children to be safe, secure, healthy and happy. Most parents want their children to have better lives than they had growing up. They see having money as an important aspect of being able to provide this environment for their children yet many often struggle to teach their children good money management.

Some parents think 'kids should be kids' and see thinking about money as a 'bad' thing kids shouldn't have to do. If you fall into this category, please consider where you learned about money and what the effect will be on your children if they grow up thinking *it's bad to think about or focus on money*. We invite you to consider changing your own thinking by really examining it and then consider selecting new empowering thoughts around money.

Financially secure people who don't worry about money are generally people with the mindset that *it is great to think about money so you always have more than enough*. It's all about *what* you think about money. When you consider things you do easily it is often because you learnt the skills you have by starting with the basics and then adding new skills bit by bit to build on what you know. When you couldn't work out how to get to the next level you no doubt discovered that the best way to move forward was to go to someone who already knew i.e. an expert and find out from them. To do this you may have asked them in person, watched them demonstrate, read a book, watched a video or found out information on the Internet. Then you put your new understanding and information into practice...you DID it for yourself!

Take a minute to consider how you recognise that you know something. When asked the question, many people answer they know when they see and feel themselves actually doing the new thing. They also answer that they really know it in their mind. Think about what you see and feel yourself doing in the area of money and thoroughly consider if you know you are modelling what you want for your children. Think about what your children see you do and say around money.

A great question to ask yourself is “Who has great thoughts and actions in the area of money and how can you access their expertise to change your thinking so you become the expert for your children to model?”

Remember - You also can't teach anyone anything ...and...no one likes to be told what to do. As a parent you model and offer information and wisdom – your children decide whether to do what you do and to learn information you offer...or not. In their world, it's all about them!

Business Kids

The following steps outline the process for setting up a simple system for providing the opportunity for your kids to earn Home Pay and also for you to continue gifting an allowance to them. This system can develop children's entrepreneurial skills and set them up for a life with worry free money management. They can start seeing themselves as a Business Kid and feel empowered in the knowledge that even as a young child they can have some control over their finances.

The age of your children will determine how many of these steps you implement at a time and how much to adjust them to suit their stage of development. It is far more beneficial to their learning to overestimate what they can understand than to *dumb it down* too much and have them miss the chance to step up – it is as easy to learn to say *net profit* as it is to say *Grandmother*. The first time you introduce a new term to them you will obviously have to explain it to them...again, the best way for them to have real understanding of financial terms is to DO them – put them into practice everyday!

Step 1

Make it all about THEM – help them create a monthly *Forecast* or *Money Plan* of what THEY want

As mentioned earlier, labels and words we use matter. The term *budget* is often used to describe what can feel like allocating limited income to endless expenses. To many people it evokes a similar response to the term *diet* and can feel restrictive or sound like *doing without*. We use the term *forecasting* as it is about creating the future you want using money to get you there.

This is a simple way to sit down with your children and help them do their forecasting by listing all of the things they would like to be able to buy in the next month and comparing it to their income. We choose to do this on a monthly basis so the kids think of the slightly longer term items they might like. As they get older and their goals for purchasing require larger amounts of money, you may consider quarterly forecasting. If your children are quite young you may prefer to do this each week or two as they will tend to relate to much smaller time frames. Forecasting helps them set a goal for how much they want to earn and makes the amount theirs to own and strive to achieve.

- Discuss what fun things they want to do with friends and family and help them work out what the activities cost.
- Ask them about things they want to buy for themselves and what costs will be involved.
- Deduct the amount you gift them as an allowance.
- Divide by 4 (if monthly) to work out how much extra they would be required to earn each week though earning Home Pay to meet the amount they forecasted.

Please note:

For your convenience, blank copies of the templates used throughout the book are included in Chapter 21. Use them as a guide to create your own or print/photocopy them for your children to use.

Here is an example:

Harrison's FORECAST for July

		AMOUNT
THINGS TO DO	Go to the movies with friends – 2 times x \$8.00	\$16.00
THINGS TO BUY	Lunch at school	\$40.00
	Pre-paid Phone	\$20.00
	PlayStation Game	\$40.00
	Birthday present for Dad	\$25.00
MONTHLY FORECAST TOTAL		\$141.00
GIFT OR ALLOWANCE FROM PARENTS	Take off \$20 per week	\$80.00
	Extra money required next month	\$61.00
<i>Divide by 4 to work out weekly amount I need to earn</i>		
WEEKLY AMOUNT TO EARN FROM COMPLETING HOME TASKS		\$15.25

Once they see for themselves how much they need to earn to do and buy what they desire, it is up to them to choose whether or not to do the tasks required. This is where you can help them shift their thinking about the value of the things they want compared to the things they need. If parents always give children all that they want, it will be harder for them to understand the difference between wants and important needs. Once they fully understand that it is important to allocate money to cover living expenses they will be able to live a worry free independent life and work out how to get all of the things they want in life, too.

It is a great idea to have your children *see* themselves as a *business* as young as possible – *the business of them!* Suggest they come up with their own business name and business card so they develop their identity as a business owner. There are lots of simple to use templates in *MS Publisher and Word* for business cards, stationery and business forms. Help them put together a folder with dividers to file all of their business documents.

The next step is to take this concept to the next level. As soon as your children are used to this system of forecasting and you feel they are mature enough to understand the concepts involved, we suggest you introduce the Education and Magnet Money (Investment) accounts whereby they contribute regularly from their earnings. Start with a low set amount of a few dollars and then introduce a percentage of their earnings to those accounts that means the amount will increase as their income increases. The ideal is to work up to 10% at the earliest age possible. The next page has a sample template to introduce a flat rate contribution.

Here is an example including the Education and Magnet Money Accounts:

Harrison's FORECAST for July

		AMOUNT
THINGS TO DO	Go to the movies with friends – 2 times x \$8.00	\$16.00
THINGS TO BUY	Lunch at school	\$40.00
	Pre-paid Phone	\$20.00
	PlayStation Game	\$40.00
	Birthday present for Dad	\$25.00
	Education Account	\$5.00
	Magnet Money Account	\$5.00
MONTHLY FORECAST TOTAL		\$151.00
GIFT OR ALLOWANCE FROM PARENTS	Take off \$20 per week	\$80.00
	Extra money required next month	\$71.00
<i>Divide by 4 to work out weekly amount I need to earn</i>		
WEEKLY AMOUNT TO EARN FROM COMPLETING HOME TASKS		\$17.75

Step 2

Discuss guidelines for allowances and gifts you give your children

Families have all different rules about how much allowance children receive. Some parents use \$1 per week for each year of age i.e. a seven year old is given \$7.00 per week. Other families use an incremental scale and have the older children manage the purchases of an increasing number of their essential living expenses such as clothing. This is a great way of transitioning them to living independently in the future.

Set Money Day into the family schedule and make it the specific day that you give the children their allowance.

If they want more money than their allowance so they can buy the things they want, give them the opportunity to earn more by doing Home Tasks. It no longer matters how much they like the task as they have their own motivation for completing it.

This is where they truly learn the value of working for what they want. *Consider carefully what giving in and giving them too much today will really cost them in their future.*

Once you have set up your rules around Home Pay and allowances, make sure you stick to them.

If your kids want to buy a more expensive item and you would like to contribute to funding it, we suggest you offer a matching program to encourage them to stay focussed on what they want. For example, if they want to save for a new bike, you might offer to match dollar for dollar what they contribute. If they play music or a sport that requires expensive, specialist equipment you may offer to contribute 3 or 4 dollars for each dollar they contribute. If the item is highly priced and you feel they should have it, consider setting a dollar figure you want them to contribute by a certain date and let them know that once they reach the target, you will put the rest of the money in to purchase that item.

Step 3

Set up age appropriate home task schedules and rates of pay

Before exploring what Home Tasks children will be paid to complete, it may be important to discuss which tasks around the home is each person's responsibility as a member of the family. For example you may decide that everyone has to clean their own bedroom (by a certain age) and ensure all of their own things are returned to their rooms by the end of each day. The home tasks that they can earn money for should meet certain criteria that you all agree on. These may include:

- tasks that help the whole family
- tasks that save the parents time because they work long hours
- cleaning tasks in communal areas of the house and yard
- tasks to help younger members of the family because they need help to complete some tasks e.g. vacuuming a young sibling's room.

The type of tasks that young children can complete successfully will obviously differ considerably to those of a 16 year old. The list on the following pages includes some suggestions as to which tasks may be appropriate at different stages of development. Customise the lists according to what you have observed your children are capable of completing independently. Obviously they will need some instruction and feedback to ensure they are able to complete it to an acceptable standard. It is vitally important to teach children from a young age that they should only get paid for work that is completed to a good standard.

Another consideration is what rate of pay is appropriate at the different stages of development and how physically difficult, boring, complex or messy a job may be. This is another area that parents should discuss with the children and come up with agreed pay rates. We have included some suggestions in the tables below and again, stress that these will vary according to your family values and income. One way to do this is to use a scale of 1 to 3 where 1 includes the easy and simple jobs, 2 includes the more complex tasks that require more effort and 3 includes the tasks that require quite adult skill levels and maturity.

Alternatively, you may prefer to reconsider all of the lower level tasks and choose to remove some from the list e.g. as your child develops it may not

be suitable for them to do the simple tasks for the same money as they will do them far more quickly as their manual dexterity develops.

We also suggest you test the tasks and work out a maximum time or payment that is allowed for some tasks to be completed so that your children learn that time is money from an early age. You may know someone you have worked with in the past who can stretch the completion of simple tasks to take several times longer than other team members but are paid the same hourly rate – it is far more valuable to help your children be efficient with their time and develop ethical work values. For example, with washing the dishes you may choose to apply a flat rate, whereas one off jobs may be better priced using time as a scale. Having kids realize how valuable time is will set them up to be aware of how they are choosing to use their time. After all, time is the only non-renewable resource – once it is passed, it is history!

The following tables provide a starting point for your family. Add the extra tasks you and your kids suggest and fill in the details to work out what the Home Task opportunities are in your home. Have each child's *resume* set up and consider them to be *works in progress* – reviewing them at Money Day meetings a couple of times per year will help keep kids motivated!

HOME TASK OPPORTUNITIES

Age	Home Tasks	Rating (1-3)	Pay rate per minute	Max time allowed	Flat rate	Notes
Years 2 to 4	<input type="checkbox"/> Wipe up the plastic dishes	1			\$0.20	
	<input type="checkbox"/> Unload cutlery from dishwasher	1			\$0.10	
	<input type="checkbox"/> Help set dinner table e.g. napkins, placemats	1			\$0.20	Make this a regular job or long enough for them to become conditioned
	<input type="checkbox"/> Feed pets e.g.:water and dried dog food	1			\$0.20	Keep food to dried food and help clean out the bowls
	<input type="checkbox"/>					
	<input type="checkbox"/>					
	<input type="checkbox"/>					
	<input type="checkbox"/>					
Years 5 to 6	<input type="checkbox"/> Take out the recycling and garbage to the bins	1		5	\$0.20	
	<input type="checkbox"/> Make their bed	1		5		This may be an expected task
	<input type="checkbox"/> Clean out their lunch box	1		5	\$0.20	
	<input type="checkbox"/> Dust house	1	\$0.10	30		Set specific areas to be done
	<input type="checkbox"/>					
	<input type="checkbox"/>					
	<input type="checkbox"/>					
	<input type="checkbox"/>					
Years 7 to 9	<input type="checkbox"/> Put laundry in washing hamper	1				
	<input type="checkbox"/> Wipe up dishes and put away					
	<input type="checkbox"/> Water the garden	1	\$0.10	30		
	<input type="checkbox"/>					
	<input type="checkbox"/>					
	<input type="checkbox"/>					
	<input type="checkbox"/>					
	<input type="checkbox"/>					

Age	Home Tasks	Rating (1-3)	Pay rate per minute	Max time allowed	Flat rate	Notes
Years 10 to 13	<input type="checkbox"/> Shovel snow					
	<input type="checkbox"/> Vacuuming					
	<input type="checkbox"/> Vacuum car					
	<input type="checkbox"/> Polish cutlery / silverware					
	<input type="checkbox"/> Clean pool e.g. vacuuming and scooping					
	<input type="checkbox"/> Washing – take out of dryer, fold and put away					
	<input type="checkbox"/> Window washing					
	<input type="checkbox"/> Weed garden					
	<input type="checkbox"/> Responsible for taking wheelie bins to the street					
	<input type="checkbox"/> Wash dog / pet					
	<input type="checkbox"/> Clean paths					
	<input type="checkbox"/> Load and unload dishwasher / wash, dry and put away dishes					
	<input type="checkbox"/> Clean outside house e.g. cobwebs					
	<input type="checkbox"/> Babysitting younger sister					
	<input type="checkbox"/> Sell unwanted items on e-bay					
	<input type="checkbox"/>					
	<input type="checkbox"/>					

Age	Home Tasks	Rating (1-3)	Pay rate per minute	Max time allowed	Flat rate	Notes
Years 14 to 18	<input type="checkbox"/> Word processing	3			yes	Price set per page depending on level of difficulty
	<input type="checkbox"/> Internet research					Rating may vary according to type of research
	<input type="checkbox"/> Set up all technology items i.e. DVD player, Wii etc	3			\$5.00	To set up new DVD player
	<input type="checkbox"/> Research wanted items over internet e.g. accommodation					
	<input type="checkbox"/> Babysitting	3	.10			
	<input type="checkbox"/> Petsitting					
	<input type="checkbox"/> Walk pets					
	<input type="checkbox"/> Tutoring					
	<input type="checkbox"/> Reading stories to younger siblings					
	<input type="checkbox"/> Putting a load of washing on					
	<input type="checkbox"/> Wash car/boat					
	<input type="checkbox"/> Food shopping					
	<input type="checkbox"/> Prepare lunches / dinners					
	<input type="checkbox"/> Dry cleaning					
	<input type="checkbox"/> Clean out pantry / cupboards					
	<input type="checkbox"/> Iron families' clothing					
<input type="checkbox"/> Clean out refrigerator						

Step 4

Quoting for work

Work out the maximum amount you wish to allocate in the family budget to the children as sub-contractors. If they want to earn more than you can afford, consider which neighbours or relatives you feel it is safe for them to approach to do Home Tasks for. Many of the Home Tasks you would love completed, you can be sure other people would pay for too.

You have a fantastic opportunity to help your children really learn the basics of business by having them fill out the forms required to secure work and ensure they are paid for work completed.

Show your children how to fill out a simple quote to offer to complete home tasks for an agreed upon price. The process of quoting helps the child feel as though they are operating a business and puts more of the control in their hands.

Once you have agreed upon weekly tasks and rates of pay, there will only be a need to quote for additional tasks. These might be tasks like cleaning out the garage that only need to be completed occasionally. This process of quoting can help teach children to find out how and when they will be paid for work they do before they commence the work. Later in life this can equate to them realising the importance of carefully checking what is in a contract or agreement and what rates of pay they are entitled to receive before they sign an employment contract.

This process of quoting for what they want to earn takes a while to set up the first time. Each Money Day after, it will only take a couple of minutes to discuss what will be different and what will be the same based on what currently needs doing around the house.

Sample Quotation:

**Harrison's Home
Tasks Services**

Quotation

No: 5
 Date: 6 July
 To: Mom and Dad
 Address: 223 Happy Lane
 Smithsville 33372

Day	Home Task Service Required	Mins	Rate Per Minute	or	Flat Rate	Total
Sunday	Vacuum lounge, dining room and halls	30	\$0.10			\$3.00
Monday	Take clothes out of the dryer	10	\$0.10			\$1.00
Monday	Empty dishwasher and put dishes away				\$0.75	\$0.75
Wednesday	Put trash out for collection	5	\$0.10			\$0.50
Thursday	Empty dishwasher and put dishes away				\$0.75	\$0.75
Thursday	Take clothes out of the dryer	10	\$0.10			\$1.00
Thursday	Clean and polish mom and dad's work shoes	10	\$0.10			\$1.00
Friday	Empty dishwasher and put dishes away				\$0.75	\$0.75
Saturday	Hose garden paths	20	\$0.10			\$2.00
Saturday	Put clothes in dryer - 3 loads - 5 mins each	15	\$0.10			\$1.50
Amount Due						\$12.25

Thank you for your business!

Step 5

Work Schedule

Once the quote from your kids has been accepted or your order for work placed with them, it is helpful to assist the children to create a weekly or monthly calendar of tasks. You might like to use a calendar with large squares and put it in a prominent place such as the refrigerator.

Many busy families have calendars for all of the family and individuals' activities; simply add the home tasks to it.

Step 6

Getting paid!

Developing the habit of sending out an invoice at roughly the same time every week or second week for work completed is good business practice.

While your children are quite young, you will have to sit with them and help them do up their invoice. Once they make the connection between presenting you with an invoice and receiving the cash they want, your main job will be to make sure you are only paying for what you have agreed to!

On the next page we have included a sample invoice from a son to his parents.

Sample Invoice:

**Harrison's Home
Tasks Services**

Invoice

No: 17
Date: 21st July
To: Mum and Dad
Address: 223 Happy Lane
 Smithsville 33372

Day	Home Task Service Completed	Mins	Rate Per Min.	or	Flat Rate	Total
Sunday	Vacuum lounge, dining room and halls	30	\$0.10			\$3.00
Monday	Take clothes out of the dryer	10	\$0.10			\$1.00
Monday	Empty dishwasher and put dishes away				\$0.75	\$0.75
Wednesday	Put trash out for collection	5	\$0.10			\$0.50
Thursday	Empty dishwasher and put dishes away				\$0.75	\$0.75
Thursday	Take clothes out of the dryer - <i>Mom did it</i>	10	\$0.10			0
Thursday	Clean and polish mom and dad's work shoes	10	\$0.10			\$1.00
Friday	Empty dishwasher and put dishes away				\$0.75	\$0.75
Saturday	Hose garden paths	20	\$0.10			\$2.00
Saturday	Put clothes in dryer - 3 loads - 5 mins each	15	\$0.10			\$1.50
Amount Due						\$11.25

Total due in 2 days.
 Overdue accounts subject to a service charge of 1% per week.

Thank you for your business!

Once your children have developed these basic good business practices, you will be able to introduce some concepts that are more complex.

Step 7 Some healthy competition

Another great strategy parents may like to use is to firstly allocate set jobs to each child in the family so they all have the opportunity to earn a basic amount of Home Pay each week. Then list all of the extra jobs you would like to offer as additional 'contract work' with set price and dates for completion. That way any of the children who would like to earn extra have the opportunity to put in some extra time and effort and be rewarded. This strategy can help children learn that there is competition in the world of business and that they can be in control of their financial results rather than merely accept a wage each pay period.

This is a sample of how you might create a jobs list. Simply hang it in a prominent place such as on the refrigerator so everyone can see what is available and who is stepping up to earn more money. If a job is not selected by anyone, you may have to offer more money...seems a lot like the real world, too!

Contract Home Jobs for the Week Beginning: Feb 12

Description	Payment	Due By	Contractor	Day Completed
Sweep out garage	\$2.00	Sat	Kelly	Fri
Weed front garden	\$5.00	Sun		
Clean out fridge	\$4.00	Sun	Kelly	Sat
Tidy linen cupboard	\$2.00	Fri	Jill	Thurs
Wash the car	\$5.00	Sat	Harrison	Sat
Vacuum the car	\$3.00	Sat	Kelly	Sat
Wash and iron lounge room curtains	\$10.00	Sun	Kelly	Sun

Step 8

Family Money Rules for Home Pay and Allowances

To check that everyone is on the same page with how things work, it is a good idea to sit down as a family and create your Family Money Rules for Home Pay and Allowances. Write them down and keep them somewhere they are easy to refer to. Here are some ideas that you can use to start the family discussion.

Family Home Pay and Money Rules

- Money Day is every Tuesday - after dinner we have a family meeting to discuss invoices, payments, etc.
- On the first Money Day of the month everyone also prepares their Profit and Loss Statement (discussed in the next chapter) and also their next Forecast.
- Kids are gifted an allowance by Mom and Dad of \$1.00 per week per year of age. It is paid on Money Day.
- Mom and Dad also grant \$5.00 per week for each child's Education and Money Magnet accounts i.e. \$10 per week total. This amount will convert to matching the child's contribution dollar for dollar once they turn 10 years of age.
- 10% of Home Pay earned must be deposited in each child's Wealth Account.
- 10% of gifted Allowance must be deposited into each child's Education Account.
- Mom and Dad's Home Pay Tasks sheet will be posted first thing Wednesday morning for kids to nominate the tasks of their choice – first in gets their choice.
- If anyone borrows money, a promissory note is to be written up and signed by both parties and a witness. This is discussed further in Chapter 10.
- The price of certain necessities (make a list) will be paid for by parents. If children want a higher priced product, they must save the difference in price before the purchase is made.

Review your Family Money Rules for Home Pay and Allowance at your Money Day meeting at least each quarter or whenever a member of the family requests it. This will keep them in mind and allow negotiation and change as children grow up.

The Business of YOU and Net Profit

Once your children are in the habit of earning income for themselves on a regular basis, the next really valuable concept to introduce is that of net profit. The earlier you introduce business concepts to your children the sooner they will be able to take the next level of wealth creation on board.

A great way to introduce basic business concepts is to help your children think of themselves as a business i.e. that they are their own business. After all, if we aren't working on our own business, who is?

The first step is to introduce four basic business terms:

Income – any money *coming in* either through wages, gifts or allowances (which are really gifts on a regular basis).

Expenditure and/or expenses – any money you *expend or spend* on things i.e. money going out.

Profit – when you have more money coming in than you spent, you are left with money over.

Loss – when you spend more money than you have coming in, you are left owing money to someone or have to take money out of your savings.

Encourage them to create a net profit at the end of each week or month. If they think of themselves as being a small business or *cash machine* in this first stage, they will have an easier transition to working out other cash machines that don't require their time to be sold for money. This second stage in their learning is where they can really get a head start on wealth creation by starting young!

Once they are saving and investing their net profit regularly, it is only a matter of helping them learn about the ways they can invest their extra money for long term gains. By starting these habits young, you are setting your children up with resourceful habits that can serve them for the rest of their lives.

To clarify this, help your children write up a very basic Profit and Loss Statement for each pay period or month. Negotiate which time period your children would like – some people prefer to see their progress more often than others. This allows them to see first hand what income they have made, what expenses they have paid and most importantly, what net profit/loss they have created for themselves each time. As soon as they can see that they have full control over this figure, it is easy for them to see how to improve the situation.

The first level of a Profit and Loss Statement might look like this.

Harrison's Home Tasks Services
Profit and Loss Statement
July 09

Income		
Home Pay	\$49.00	
Allowance	\$32.00	
Birthday Cash	\$20.00	
	Total Income	\$101.00
Less Expenses		
Movies	\$8.00	
Take Out Food	\$20.00	
Tshirt	\$15.00	
B'Day Present for Mom	\$10.00	
Game Rental	\$12.00	
	Total Expenses	\$65.00
Income – Expenses = Net Profit / Loss		\$36.00

If children spend more than they have as income in the month, parents have the opportunity to have a very valuable conversation about where the extra money came from and what that means. For example if they spent money they had saved previously, how will that affect their savings goals? If they borrowed the money, when and how will it be repaid and what interest will it cost them?

These are very important real life lessons that can be taught in a very real way when the opportunity presents itself. If parents simply give their

children the shortfall to cover their net loss, what will that mean in the long term?

Once children are aware of what their net profit or loss is each month, the most important questions become...

- how do I manage my net profit to reach my money goals?
- how do I increase my income so I can create a higher net profit each month?

If they have chosen to borrow from someone to cover or create the net loss, we strongly recommend that you teach them to draw up a promissory note that records who borrowed what from whom and when and how it will be repaid. Consider too at what age to introduce the concept of paying interest on what they borrow – just like in the real world of borrowing money.

How to Manage Net Profit to Reach Money Goals ... invest in the MAGNET Money™ System

Once your child has started earning money and receiving their Home Pay, the next step is to teach them what to actually *do* with this money. Having your child manage their money is far more important than how much they make, as it's all about creating the right money management habits.

With the right money management habits, they will never get into financial distress. In fact they can set themselves up with a strong foundation so that no matter how much money they choose to earn, they will easily go through life being able to do and have all the things that they want.

The MAGNET Money™ system has been specifically designed to teach the fundamental principles of money management, through the importance of separating your money into different accounts for different purposes. While the main aim of money management is to become financially free, it also looks into the psychology around money and helping you shift your thinking about money to improve your results.

We all know habits are extremely powerful and make up our behaviours. Given everything in the universe has a polar opposite - you can have good habits and bad habits. Creating a good or resourceful habit can be easy and

almost automatic if you haven't already formed a non-resourceful one. Therefore, getting your child to learn supportive habits while they are young is extremely beneficial for them. The *Pay Yourself First* concept is just one supportive habit used within the system.

Given that time is everyone's most valuable asset, MAGNET Money™ has been developed as a system to use at home and includes a DVD recording of a live training, a workbook, an e-book, easy to use spreadsheets and a 6 month email support program to assist you to really get results.

Motivation Creates Momentum

Keeping children focussed can be challenging in our busy and complex world. One of the most successful and fun ways to engage children in goal setting that they get excited about is to have them create a Vision Board.

Help them find and cut out pictures of things they'd like to purchase and have them paste them onto a piece of cardboard. Kids are pretty resourceful and may use magazines, catalogues, surf the net to find them or simply draw pictures of what they want.

Before pasting these pictures on their board, have your child explain to you *why* they want these items and what it will do for them once they've achieved them. Get them to see themselves reaching these goals.

As you see and *feel* this moment, you also believe that the goal is going to occur.

Check in with your child by asking if they feel it's really achievable and do they want to achieve it? Ask them how it will be for them once they obtain the item they have selected. It's important to really check in with their subconscious mind as to whether it's in agreement with them achieving this goal. Get them to sit quietly for a moment and see what comes up. If they raise any objections, consider helping them revisit their goal.

Before gluing the items onto the Vision Board, ask them which things they want most and which things they want first. Check that they have a realistic price for the item and add that as well.

If they change their mind about an item they want because something better came onto the market, that's fine, they can simply paste a new

picture over the previous one. If they have already started saving for the item, they can simply reallocate the money to saving for the new item.

Help them to hang it in their room where they are able to see it easily and encourage them to look at it at least twice a day. This will keep them focused on what they are working towards.

We also suggest that you help them create a Vision Board of all they want in life, not just for the things they want to buy. For example, they may wish to include a picture of your family having fun together, their friends, pets, the family camping, etc. Things that cost money is only ever a part of the picture of a great life!

How to Increase Income and Create Higher Net Profit

... Create a Cash Machine!!!

Once your child understands the value of money (through negotiating and being contracted to perform specific jobs around the house) and has developed great money management habits (through using the MAGNET Money™ system), the next step is to increase their entrepreneurial skills by creating a cash machine that works with paying customers outside the home.

There are many businesses kids can create. Having their own Dog Walking or Car Washing business can be a great cash machine to have around the neighbourhood.

Obviously all activities should be closely supervised by parents to ensure young children are kept safe at all times.

By discussing the concept of kids owning their own cash machine with your neighbours, you can create a community of friends who support all of the kids and learn from each other. Find your neighbours who know the most about running cash machines and have them teach all of the kids – we are sure the parents will learn a thing or two from the kids down the track as well!

Our goal is to develop a global community that meets in person and on line to connect like minded people who are proactive in learning about and developing their financial IQ. Join our websites to stay in touch and find out about workshops and other products as they become available – they are listed at the end of this chapter.

Logan Langemeier (Loral's son) is now 9 years old and he currently operates four cash machines and earns approximately \$400-500 per month. He was taught by his parents how to run a cash machine and once he really learned the concepts and processes involved, he simply duplicated it!

There are many skill sets and concepts Logan developed which include *marketing, cost of goods sold, forecasting, revenue modelling, goal setting, managing* the day to day operation of running a business and many more. Most importantly, Logan has also learned how to ask for the cash; a skill most adults struggle with.

These skills are now simply part of who he is. He was excited about learning them because he generated real results with real money in real situations and can now buy real things he wants and is also investing for the really big things he wants in the future!

Allow your kids to be in control of their own future. If there's something they'd like to buy, encourage them to be creative and come up with a way to generate additional money rather than focusing on saving. Build their confidence and belief that they can achieve anything they set their minds to and remind them that it's fun to make money.

Why wait to start earning money?

To develop these skills we are now in the process of developing the Cash Machine 4 Kids program and resources ... keep your eye on www.liveoutloud.com and www.moneytoolkits.com for details.

Borrowing and What It Can Really Cost

There are no doubt occasions when your children have really wanted something before they have saved up enough money for it. Obviously the best scenario is to have them work out how to make more money so they can buy what they want sooner. Human nature being what it is; parents sometimes can't resist giving their children the shortfall required for the purchase.

If you want to really help your kids understand the world of money this situation provides another great learning opportunity. We highly recommend that you loan your child the difference and have them draw up a promissory note to record the date, amount and repayment schedule *before they buy the item!* When they see what else they will have to earn or give up in order to buy the item now, they will more clearly understand what they are really getting themselves into when taking out a loan.

You may also consider whether to charge interest on the loans to teach them what happens in the real world. One of the biggest challenges for people who haven't learnt good money habits is to manage credit card debt and other loans. Helping your children really get what it means to borrow on credit is one of the most important lessons you can teach them.

Learning to **not** borrow for the purchase of luxury items that quickly go out of fashion can save your child large amounts of money over time.

Borrowing is generally only *good* when it is used to purchase an income generating asset. Learning about this is the next level of financial IQ. The basics of this concept can also be learned through using the MAGNET Money™ System.

When to Have an ATM Card Vs Using Cash

As previously mentioned, nowadays the practice of paying for everything via a plastic card (i.e. ATM/key card/savings card etc.) is more convenient and commonly used. However this practice also lends itself to overspending as it is easy to lose track of what you've spent, especially if more than one person is operating on the same account.

Do you remember in days gone by, being paid cash in an envelope or pay packet at the end of the week? If you don't, you may remember your parents coming home and working out what money was needed to keep for essentials. Then they would have gone to the bank and physically deposited the rest of the money into their account. Nearly everything was paid for by cash. This process ensured that people saw and handled their money and were regularly made aware of how much they were earning and how much they were spending.

These days most lending institutions don't issue a key/savings card to children until they are in their mid teens. We support this requirement as we believe having the physical cash in children's hands teaches them essential life skills. For example:

- Recognising what currency looks like
- Helps them with their maths – teaching them to count

- To ensure they have received the right amount of change when making a purchase
- Responsibility for looking after their money
- Teaches them how to trade

Most importantly, children are able to physically connect to money and place a value on how much it costs to buy what they want.

If you rarely keep money in your wallet and pay for everything using a card, you may have experienced the following scenario:

You know you have a \$50 note in your wallet and at some point, in the future notice it is gone and believe it has disappeared or worse – been stolen. You may have found yourself asking the question “Where did that money go?” When you think back and retrace your actions, you remember exactly what you spent the \$50 on and realise that it went very quickly indeed!

Doing this provides you with awareness about what you spent your money on and if you don’t keep track of it, it’s very easy to forget where it went and what it paid for. Would you have made this realisation if you had used your direct debit card? Probably not, you might have never fully realised that you even spent the \$50.

When it comes to that age when your child can qualify for a key card from the bank, we suggest encouraging them to stick to a certain amount of money they are able to withdraw each week to pay for their living expenses. We recommend helping them open the other accounts as discussed earlier to ensure they keep only money that has been allocated for spending in the account that their key card is attached to. This will not only teach them about self control and discipline, it will also teach them to live within their means.

Also, review their statements with them and explain to them about the bank fees and charges associated with having a key card and reiterate that another benefit of withdrawing a certain amount of money each week to live off will limit these fees.

Take them into the bank as soon as they are old enough to understand and before they are eligible to use a key card to provide them with an overview of how the banking system works. Encourage them to fill out their own

deposit slips and commence establishing relationships with the staff. The younger they are when they start doing banking for themselves, the sooner they will become comfortable in the banking and finance environment.

Credit Card vs. Debit Card

Credit cards, when used properly can be useful and convenient. They allow you to purchase items over the phone or online, they can be particularly useful in the case of short term financial emergencies and can even help establish a positive credit history for borrowing larger amounts of money in the future (provided they are used correctly).

The problem with credit cards is that most people don't understand they are loans and the amount you spend must be repaid with interest after the initial interest free period. So many people spend freely, forgetting this concept and get themselves into high amounts of debt that can ruin them for life, ruining their credit history and therefore their chances of obtaining credit for larger items such as car loans and home mortgages.

Credit cards also satisfy the impulse buyer in people, which is not a great way to manage your money as buying on impulse, may lead to spending more money than you earn.

Before allowing your child to apply for a credit card, ensure they can demonstrate and apply discipline and self-control. Understanding that the entire balance should be paid off every month to avoid paying interest is critical and if they know that it will not be paid off within this time, they

should not purchase the item. Again, it comes back to knowledge (financial IQ), self-control and discipline.

As the purchase of many goods and services these days are made using credit cards (such as making purchases over the phone or Internet), we suggest applying for a Debit Card such as the Visa/Master Cards that are available. These cards have similar features to a credit card with one important difference – you are using your own money. It's great for online shopping and the perfect solution for all your day-to-day financial needs. This is a convenient way to access your own money from your cheque or savings account.

Developing the habit of using a Visa/Master Card debit card to make particular purchases at an early age may deter your children from ever obtaining a credit card and this may also help them resist the temptation of racking up credit card debt.

Share the Big Picture of the Cost of Living

There is no doubt your children are getting older every year – aren't we all! As they progress through their teenage years and towards becoming adults, it is important that you take them through the family finances to help them understand the big picture of the cost of living. Once kids see for themselves what income comes into the family and what expenses go out, only then can they fully appreciate what it costs to support a family.

As you observe them becoming more confident with and knowledgeable about money, you will notice when they are ready to learn about doing more complex budgeting that covers what it means to live independently from you.

From our discussions with children and parents it appears that many families never tell their children how much money they make in their jobs. It is interesting to consider what this will mean to teenagers when they are making career choices. We strongly suggest parents show children how much people earn in a wide variety of jobs and discuss with them why the rates of pay vary so greatly. The sooner they learn that all jobs have limits to the level of salary you can earn, the sooner they will be open to learning how to run their own businesses as *Cash Machines* and have the opportunity to generate larger cashflows.

Talking with teenagers about what it means to be an *adult* usually generates a list of fun *adult* things you get to do once they come of age, such as driving a car, going out to nightclubs, going wherever they want, not having to go to school. Asking them to consider how many of these activities require them to have money can help them realise that many fun adult things regularly cost substantial amounts of money.

Talking with teenagers about what it means to be an **independent** *adult* (i.e. living away from home without any financial support from their parents) generates very different thinking and usually includes all of the responsibilities that go with being an adult such as going to work, paying bills, raising a family, etc. When teenagers really think this through, the link to the importance of making and managing money becomes even stronger for them.

Parents who help their children learn effective business and money thinking and habits assist them in transitioning smoothly from the dependent world of a child to the much larger and more complex world of a successful independent adult.

Make the Learning Fun

The key to learning things more quickly and retaining information is to do it while having fun. So start playing games with your children that teach them about money. If you are already doing so, that's great. If not, there are a number of games available that help teach you about money.

Everyone at some stage or another has probably played Monopoly. If you played when you were a child, you probably didn't realise all of the lessons that were being taught in the game.

Monopoly is great to introduce your child to the basics of finance and money management. Learnings provided in this game include the following:

- being paid a salary
- receiving bonuses
- borrowing from the bank
- paying interest on mortgages
- maths
- buying and selling properties

- negotiating
- location effects the value of properties
- paying rent to a property owner
- receiving rent from a tenant
- asking for the cash.

On reflection of these lessons now, you may realise that you played the game without even knowing what you were learning.

Another excellent game is Live Out Loud's *The Millionaire Maker*. Like Monopoly, the purpose of this game is to increase your net worth. However, one of the key differences is the introduction to the concept of entrepreneurialism and building wealth through owning and growing businesses. Playing *The Millionaire Maker* teaches many valuable financial concepts including:

- the importance of regular cashflow coming in
- the importance of owning your own Cash Machines
- having strategies for wealth creation and allocating a percentage of your income to your investment account
- buying real assets that generate income
- the different types of investments that are available
- building teams
- leading people
- the importance of paying yourself first
- how to read and understand a Balance Sheet and Profit and Loss Statement
- skills such as forecasting taxes, income and expenses and the consequences if you don't
- protecting your businesses from any unforeseen circumstances that may arise

Any of these lessons learned through real life experiences can be very costly to learn and are generally not much fun if learned *the hard way*. That's why games are a critical step in teaching children about money and building

wealth. The best part of all about playing money games is that they have fun, which means learning comes easily.

To Sum Up

The responsibility to teach your children the value of money lies with you as the parent. You are in fact teaching them money values and habits from the first moment they can see and hear you.

Remember, they model from you, so make sure you are setting the example of money habits you want them to adopt. The best idea is to start before they are born and set up the two suggested bank accounts; their Education and Wealth Account so you are creating what you want for them financially well before you give them the full responsibility for managing their finances.

Children also learn from experience. It must be all about them before they become interested. Taking the time to teach them the right habits initially – to manage their money correctly and to develop an entrepreneurial mindset will ensure your child can have a positive financial future.

If you find yourself making excuses about not having enough time to make Money Day a regular event on your family schedule; ask yourself what things you are doing now that are LESS important than your kids having a safe and secure financial future and cut some of them out to make time for what really matters!

If you catch yourself thinking this is too hard; ask yourself how much easier things will be in the future when you choose to help your kids develop their financial IQ now!

So...

Set up the Home Pay system for your family and make it simple and fun...

Practice it weekly or bi-weekly and form great habits...

And you will no doubt assist your kids before they leave home, to travel well down the path of achieving great financial results in a fun and empowering way!

Recommended Reading

- *You Were Born Rich* – Bob Proctor
- *The Secret* – Rhonda Byrne
- *The Misadventures of Jennifer Pennifer* – Leslie B. Kuerbitz
- *Cash Machine for Life* - Loral Langemeier
- *The Millionaire Maker* – Loral Langemeier
- *Wealth Cycle Investing* – Loral Langemeier

Templates

These templates are provided for you to photocopy/print or as a guide to help your children create their own.

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MONTHLY FORECAST

Name: _____

Date: _____

		AMOUNT
THINGS TO DO		
THINGS TO BUY		
MONTHLY FORECAST TOTAL		\$
GIFT OR ALLOWANCE FROM PARENTS		
Extra money required next month		
<i>Divide by ___ to work out weekly amount I need to earn</i>		
WEEKLY AMOUNT TO EARN FROM COMPLETING HOME TASKS		\$

Home Tasks Quotation

Harrison's Home Tasks Services Quotation

No:
Date:
To:
Address:

Day	Home Task Service Completed	Mins	Rate Per Min.	or	Flat Rate	Total
Amount Due						\$

*Thank you for considering
using my service!*

Home Tasks Invoice

Invoice						
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No:
 Date:
 To:
 Address:

Day	Home Task Service Completed	Mins	Rate Per Min.	or	Flat Rate	Total
Amount Due						\$

Total due in 2 days. Overdue accounts subject to a service charge of 1% per week.
Thank you for your business!

The Johnstone Family Contract Home Tasks

For the Week Beginning: _____

Job Description	Payment	Due By	Contractor	Day Completed

Business Name: _____

Profit and Loss Statement

For the Month of: _____

Income		
Home Pay		
Allowance		
Gift		
	Total Income	\$
Less Expenses		
	Total Expenses	
Income – Expenses = Net Profit / Loss		\$

About the Authors



Loral Langemeier

Loral Langemeier is one of today's most dynamic and pioneering financial strategists. A New York Times bestselling author and a leading motivational speaker, Loral has spurred thousands across the country from dazed apathy and fear of finance to millionaire status by giving them the simple tools to generate cash and build wealth. Born and raised on a farm in Nebraska, Loral Langemeier started from scratch. She created her first business at 17, and by 34, had established a multi-million-dollar portfolio. Loral has built a number of businesses in a variety of industries, several of which have grossed millions. Her most recent accomplishment is growing her current business into a \$19 million company in only five years.

As Founder and CEO of Live Out Loud, Loral has shared her proprietary Wealth Cycle strategies at seminars across the country, teaching people her simple recipe for capitalizing on their skills and passions to build their fortunes. She is author of the national bestseller *The Millionaire Maker* and two New York Times bestsellers, *The Millionaire Maker's Guide to Wealth Cycle Investing* and *The Millionaire Maker's Guide to Creating a Cash Machine for Life*. In addition to her sold-out Millionaire-Maker events, she has appeared frequently on Dr. Phil, CNN, CNBC and Fox News Channel, and has been featured in USA Today, The Wall Street Journal and The New York Times, and on the web at ABCNews.com, Forbes.com, and BusinessWeek.com. She has been a weekly guest columnist on Gather.com and for TheStreet.com, an in-depth financial analysis and news website co-founded by CNBC "Mad Money" host, Jim Cramer. She is the creator of *The Millionaire Maker Game*, a board game that teaches people how to build wealth through asset generating ventures.

For further information about Loral go to
www.liveoutloud.com



Helene Kempe

Helene has worked in the education industry for over 25 years and has held management positions for the majority of that time. Her leadership, management and marketing experience coupled with her teaching and learning in the creative and visual arts, provides her with a valuable skill set for “thinking outside the square”.

Helene holds a number of qualifications including a Graduate Diploma in Educational Administration, Diploma of Teaching, Diploma of Visual Arts, Associated Certified Meta-Coach (ACMC), Master in Neuro-linguistic Programming and Results Coaching.

One of Helene’s passions is to help people create their own personal power through gaining the understanding that they own their own learning and that when they focus on what they really want in life, they can achieve what they really want more quickly.



Nicole Clemow

Nicole has always had a passion for finance. After completing her Bachelor of Business (Accounting) degree and Advanced Diploma in Financial Planning, she worked in the financial planning industry for over 8 years. Her roles included working as a Paraplanner, Technical Manager and Financial Planner.

After discovering that many people had very little knowledge in money management, Nicole decided to leave the corporate work and venture out on her own to help change people’s thinking around money. She has

completed a Master Level in Neuro-linguistic Programming and Results Coaching and uses these effective personal development strategies learned through her study, on a daily basis.

Nicole believes that personal development is extremely important and has travelled across Australia, Canada and the USA to work with some of the top people in the field of wealth creation and financial management.

Money Toolkits

Nicole and Helene are co-founders of the company Money Toolkits which was established to:

empower young people with Financial IQ to create the lives they choose.

Please send any questions or feedback to:

info@moneytoolkits.com

How Nicole and Helene Met Loral

Helene and Nicole met Loral at the inaugural Australian Cash Machine Workshop in Sydney Australia in 2008 and are members of Loral's Big Table #52. They share the same values and philosophies and are all passionate about educating young people to learn how to save money and develop empowering financial habits that will set them on an accelerated journey to achieving their Financial Freedom Day.

Contact Us

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