STUDY GUIDE

HOW TO RAISE KIDS WHO ARE SMART ABOUT MONEY

KEY TERMS: learn, work, money, entitlement, debt, discipline

NOTE-TAKING COLUMN: *Complete this section during the video. Include definitions and key terms.*	**CUE COLUMN:** *Complete this section after the video.*
What was a frequent topic of conversation in the home where Mrs. Cruze grew up?	What is important for kids to understand about money?
What rule did Mrs. Cruze's father impose when taking her to Opryland?	Why is it so important that kids learn sound lessons about money?
What is the third principle Mrs. Cruze learned about kids and money?	

DISCUSSION & REVIEW QUESTIONS:

- Towards the beginning of the video, Mrs. Cruze points out that, "It's very important that your kids understand that money comes from work – not from mom and dad's wallet. As soon as your children can grasp the concept of cause-and-effect -- and that happens at a very young age -- you can start teaching them about the work/money connection." Why do you think that it is so important for kids to comprehend that money comes from work? What else do you think is important for kids to know about the work/money connection?

- Mrs. Cruze further explains to, "Let your kids know that in the real world you get paid only when you work. And it's with the money made from work that you can buy the things you want. When children work for the things they want to buy, the purchase feels like an accomplishment, not an entitlement." Why is it important for people to feel that money should be earned rather than just given to them? Explain. How would you answer a young person who claims that they don't have to work because the government will support them?

- The next point Mrs. Cruze makes is to, "Let your kids make mistakes with their money. Many adults make expensive mistakes because as kids they were never allowed to make small, inexpensive ones. Tears now will save a lot of tears later... as their parent, there are times you need to let them make that mistake and suffer the consequences. That's how they learn." Why do you think that this concept is so difficult for many parents nowadays to practice? Do you agree that kids should learn these lessons at a younger age because consequences for their decisions will scale in magnitude as they get older? Why or why not?

- Later, Mrs. Cruze shares with us "...a fundamental, financial truth: if you don't save money, you won't have money. Teach your children that saving is one of the first things you do when you get paid – not what you do with money you have left over... The habit of saving money is what's important here, not the exact dollar amount. ...And better for them to learn how to save now – when Mom and Dad are supporting them. Or Mom and Dad – that's you – will be supporting them a lot longer than planned." Why is the axiom of not having money if you don't save any a 'fundamental, financial truth?' Why is it so important for people to save money right when they get paid rather than waiting until after they spend some of it, in terms of developing a good habit? What is the relationship between kids not learning to save money and Mom and Dad supporting them for a longer time? Explain.

- Mrs. Cruze concludes the video with the advice to "...start today: help your kids to become fluent in the language of money and how to handle it. Because if you don't, well, all I can say is -- get the basement ready." What is Mrs. Cruze alluding to when she says 'get the basement ready?'

EXTEND THE LEARNING:

CASE STUDY: Millennials

INSTRUCTIONS: Read the article “Why Millennials Aren’t Saving Enough Money To Retire,” then answer the questions that follow.

- Who is Dave Alison, and why does he think millennials are struggling to save for retirement? What does Mr. Alison think about financial education? How much does he calculate a person in their 20’s saving ‘$100 per month and investing it in the stock market, earning a 7% annual return’ would earn by age 65? What steps does the author of the article suggest a person looking to get on the right track should take?

- Do you think that parents and/or schools have an obligation to teach their children how to manage money well? Why or why not? What if parents themselves don’t practice good financial habits? If factors such as school debt, monthly expenses, and low wages contribute to young people struggling financially, do you think Mrs. Cruze’s lessons are still valid? Why or why not? How many struggling young people pay for a smartphone, internet, a car, etc… and what lessons do you think they need to practice?

- Does this article support any of the points made in the video? If so, which points in the article support which points in the video? If not, why not?

QUIZ

HOW TO RAISE KIDS WHO ARE SMART ABOUT MONEY

1. It's very important that your kids understand that money ___________________.

a. is easy to come by
b. will always be there
c. must be spent
d. comes from work

2. What can you do to teach your kids about money?

a. Put them to work.
b. Let them make mistakes with their money.
c. Teach them to make saving a habit.
d. All of the above.

3. What happens if kids haven't learned to save?

a. They work harder to pay their bills.
b. They're happier because they got everything they wanted when they were young.
c. They're likely to go into debt for the things they want or need.
d. They typically save more money than average.

4. What did Ms. Cruze's dad say after she had spent all her money at Opryland playing carnival games?

a. That's alright, I'll lend you some money.
b. When the money's gone, it's gone.
c. Here's some money to play a few more games.
d. That's alright, we'll come back tomorrow.

5. If you don't save money, that's okay, because there's always time to make more.

a. True
b. False

QUIZ - ANSWER KEY

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https://www.forbes.com/sites/mayakachroolevine/2017/05/02/millennials-arent-saving-enough-for-retirement-heres-how-to-get-on-the-right-track/#191c4fef4610

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Why Millennials Aren't Saving Enough Money To Retire

Maya Kachroo-Levine , Women@Forbes
I cover personal finance and money issues millennials face.

This isn't the first time you've heard it: millennials aren't saving enough for retirement. In fact, at the rate millennials are currently saving, some won't be able to retire until well into their 70s. This is sometimes attributed to the fact that millennials were supposedly raised differently, or are less motivated to save. That is, in my opinion, not at all true, though as a millennial, I am clearly biased. There are experts who would agree, and who would also suggest that there are many other reasons that millennials aren't saving for retirement. Dave Alison, CFP and founding partner of Prosperity Capital Advisors in Ohio, advises millennials every day. He tells me why, in his opinion, millennials are struggling to save for retirement, and says that everything we discussed was based on real experiences with his current clients.

The first explanation Alison gives is that millennials are burdened with too many monthly payments to be able to put aside money for retirement. "Most millennials are strapped with debt, from student loans to credit cards and they are having a hard enough time covering their monthly repayment obligations and living expenses," he says.

The other reason, in Alison's eyes, is that millennials are not getting the financial education they need, such that when they are faced with debt repayment and managing bills and credit cards, they aren't sure what to do. "Our society has done a poor job at teaching people how to save," Alison says. "It isn't taught in high school or as a general education course in college, and it can be a topic that people feel embarrassed or shy to talk about to each other."


Image via Pexels

When you're barely making enough to make student loan payments every month, it's hard to think about retirement savings.

I certainly never learned anything of financial value in school, with the exception of basic math. And I have friends who, much to my chagrin, have been working for years at companies that offer 401(k)s with matching and still have never opened a retirement account. In their companies' defense, though, the onus isn't on your workplace to get you to sign up for a retirement account. Companies shouldn't have to be the ones to explain money management to their employees—that would be unprofessional. The lessons have to come earlier, and if not from financial professionals or parents, from a teacher or professor.

Alison says those in their 20s are missing out on significant growth in their retirement account. "A 25-year-old saving $100 per month and investing it in the stock market, earning a 7% annual return, would mean savings of $248,551 by the time they are 65 years of age! [At the same return] $200 per month would mean almost $500,000 in savings by age 65," he says.

If you're looking to get yourself on the right track when it comes to retirement savings, but have no idea where to start, here are a few steps you can take:

Open a 401(k).

This sounds like an obvious first step, but millennials are actually less likely than their older professional counterparts to open a 401(k) plan, even if their employer offers matching. Not only that, but a lot of 20 and 30-somethings end up without a 401(k) because more people in our generation pick jobs that wouldn't offer one to begin with; working as an independent contractor or for a small business typically doesn't come with a 401(k).

“Even a 5% contribution will make a big difference in saving for retirement over 30-plus years,” says Alison. “I am always astonished at how many employees have a retirement plan at work in which their employer offers a match, and they don't take advantage of the free money.”

Write down goals, and discuss them with someone you trust.

Alison’s main advice is to “map out goals.” He says it’s worth it to sit down and chart out how much money you want to have saved in X years. Once you figure out how much you want to save, and what you want your timeline to look like, you can calculate how much to put away each month. After you have that number, tell someone you trust so you can hold yourself accountable, or consider automating transfers to your retirement account.

Plan your investments based on timing.

Alison says that he likes to encourage his millennial clients to set up “three buckets of money: a now bucket, a soon bucket, a later bucket.” He explains: “The now bucket is money that is not invested and is typically made up of your emergency fund and money to cover planned expenses in the near future. The soon bucket is generally created using an after-tax account so there are no IRS penalties for accessing this money before retirement age. [This money is] earmarked for shorter-term financial goals. While you should always be funding the later bucket through your employer-sponsored retirement plan [or an IRA], once you have the now and soon bucket established, you will feel even more confident about maxing out the contributions [to your retirement account]."

Find technology that can help you.

Alison says he encourages clients to use Mint to help with budgeting. There are also apps that help you invest, like Acorns, which keeps the change from every card purchase you make and invests it. The one thing Alison warns against is obsessively checking your investments. If you make regular contributions to an IRA, that doesn’t mean you should check it constantly. “If you become addicted to watching your investments each day through technologies that are available to you, you might act on impulse and make irrational decisions because of the constant need to see short-term satisfaction [instead of] focusing on long-term goals,” says Alison.